

**DLNR and County Boards Testimony for HB 2835**

**TESTIMONY OF THE CHAIRPERSON  
OF THE COMMISSION ON WATER RESOURCE MANAGEMENT  
DEPARTMENT OF LAND AND NATURAL RESOURCES**

**On H. B. No. 2835 – Relating to Watershed Protection**

**BEFORE THE  
HOUSE COMMITTEE ON WATER AND LAND USE  
February 4, 2000**

House Bill No. 2835 relating to watershed protection establishes a watershed management trust fund to provide a dedicated source of funds to protect, preserve, and enhance important water resources. The bill amends the State Water Code to provide that the Commission on Water Resource Management will administer the watershed management trust fund.

The Department supports this bill but recommends that certain changes be made to the bill to allow the use of the funds for the Commission's water resource management programs which also serve to protect and preserve the water resources. The Department suggests that the section 174C-C(b) be rewritten to include water resource monitoring efforts and aquatic resource studies in watershed areas. The Commission strongly believes that these efforts also contribute to effective watershed management and protection. We suggest the following addition to 174C-C(b):

“(b) The purpose of the trust fund is to fund public and private watershed management projects and activities benefiting water quality, water quantity, and general watershed values within designated watershed management area. The trust fund shall be used to fund projects or activities that manage and protect watershed management areas including:

- (1) Watershed maintenance and enhancement projects within watershed management areas, including erosion prevention and control, reforestation, alien species control and eradication, exclusion of stock, and control of feral animals.
- (2) Water and watershed resource monitoring efforts, including but not limited to stream and rainfall gauging, well and ground-water monitoring, water quality, and stream aquatic resources studies.

The Department recommends that section 174C-C(d) be amended to clarify that the Commission is the final authority for approval of watershed protection projects. We suggest the following change to section 174C-C(d) on page 4 at lines 16-18:

“The commission shall approve all watershed management projects and activities to be funded by the trust fund. [based on] The commission shall consider the recommendations submitted to the commission by the board.”

**TESTIMONY OF THE CHAIRPERSON  
OF THE COMMISSION ON WATER RESOURCE MANAGEMENT  
DEPARTMENT OF LAND AND NATURAL RESOURCES**

**On H. B. No. 2835, H.D. 1 – Relating to Watershed Protection**

**BEFORE THE  
HOUSE COMMITTEE ON FINANCE  
March 1, 2000**

Thank you very much for the opportunity to testify on House Bill 2835, H.D. 1, Relating to Watershed Protection establishing new fees or taxes is never popular but the protection of our mountain watersheds is a pressing priority for Hawaii's economy and future generations. A dependable funding source is needed to ensure that Hawaii's watersheds are protected and managed. No dedicated funding source exists today, and we are concerned that Hawaii's forest watersheds are degrading, with negative impacts to the quality and quantity of Hawaii's available water supply. The services provided by healthy forests in Hawaii are enormous, spanning beyond just water. We recognize that there are details that need refinement in HB 2835, H.D. 1, but urge that the legislature continue the important dialogue to develop a dependable funding source for the management of Hawaii's watershed forests and water resource management programs.

A healthy watershed forest is no accident. It is the result of the investment that was made in good watershed management many decades ago.

This measure establishes a watershed management trust fund to provide a dedicated source of funds to protect, preserve, and enhance important water resources. The bill amends the State Water Code to provide that the Commission on Water Resource Management (Commission) will administer the watershed management trust fund.

The price Hawaii consumers pay for water generally includes: the amortized cost of infrastructure to collect, purify and distribute water; the cost of energy to move water from source to tap; and, the cost to staff and materials to maintain, monitor and administer water services. However, no cost is assigned to water resources in their natural state or the costs associated with insuring sustainable watersheds to collect and percolate our water supplies. Yet, these values are enormous, especially when compared to the current prices charged for water. In November 1997, a team of economists at the University of Hawaii began a natural resource valuation of the Koolau Mountains watershed on the island of Oahu. Their preliminary economic analysis of the amenities provided by the Koolau Mountains watershed on Oahu show an estimated Net Present Value of 7.44 to 14.0 billion dollars. Amenities considered in the analysis were ground water quantity, water quality, in-stream uses, species habitat, biodiversity, subsistence, hunting, aesthetic, commercial harvests, ecotourism, and climate control. Net present value per acre was estimated at \$76,000 to \$143,535, with a mean annual stream of benefits at roughly \$165 million or \$1,700 per acre. Net present values were calculated using 3% and 1% social discount rates for the ranges.

The amendments in H.B. 2835, H.D. 1 expand the representation and duties of the watershed protection trust fund review board and the uses of the trust fund. It also expanded the watershed

protection tax to cover all water from municipal and private water systems in response to the Water and Land Use Committee's concern with equity – that all users of water should pay their fair share of the costs to protect the watershed. While the Department supports the equity concept, it recommends that the implementation might be considered in a phased approach as each island has different water use regimes. For example in 1997, water use on the island of Oahu was 217.3 million gallon per day (MGD), with 97% coming from ground water. The distribution systems can be broken out as follows:

Honolulu Board of Water Supply -	139.0 MGD (64% of total)
Military	30.7 MGD (14% of total)
Agricultural Systems	29.1 MGD (13% of total)
Private Systems	17.8 MGD ( 9% of total)

Some of these systems are independent (e.g. military, agriculture, private purveyors for their own use) while others are controlled via the Public Utilities Commission (e.g. private purveyors that sell water). Of the 64% of the water running through the Honolulu Board of Water Supply (139 MGD), 60% is for domestic use (approximately 38% of total water use), 27% industry and commercial (approximately 17% of total water use), 9% government (approximately 6% of total water use), and 2% agriculture (approximately 1.3% of total water use). While any water tax should strive for equity, it might be problematic to craft language to catch all water users immediately. In addition, other public policy (e.g. support of agriculture) may also influence the final crafting of proposed language.

The Department of Land and Natural Resources (Department) suggests that certain changes be made to the bill for clarity and consistency with current program objectives of the Commission.

1. On page 3, line 5, the term "Watershed management area" should be changed to "water recharge and protection area". The Commission is currently in the process of updating its Hawaii Water Plan which will propose to establish surface water hydrographic units based upon watershed areas. If adopted, the hydrographic units will delineate the boundaries of "designated watershed management areas" for surface water regulatory purposes when so determined by the Commission. Re-naming to water recharge and protection areas in this measure would hopefully avoid confusion and conflicts for agencies and the public in the future. This change should also be made on page 3, lines 20 and 23, on page 4, line 20, and on page 6, lines 1-2 and 11;
2. On page 4, lines 18-23, the Department recommends that subsection §174C-C(d) be amended to clarify that the Commission is the final authority for approval of watershed projects. We propose a re-draft as follows:

(d) In consultation with and after consideration of the recommendations of the watershed protection trust fund review board, the commission shall designate [watershed management] water recharge and protection areas. The commission shall approve all watershed management projects and activities to be funded by the trust fund. [based on] The commission shall consider the recommendations submitted to the commission by the board.

In conclusion, the Department supports H.B. 2835, H.D. 1.

**TESTIMONY OF THE CHAIRPERSON  
OF THE COMMISSION ON WATER RESOURCE MANAGEMENT  
DEPARTMENT OF LAND AND NATURAL RESOURCES**

**On H. B. No. 2835, H.D. 2 – Relating to Watershed Protection**

**BEFORE THE  
SENATE COMMITTEE ON WATER, LAND, AND HAWAIIAN AFFAIRS  
March 15, 2000**

Thank you very much for the opportunity to testify on House Bill No. 2835, H.D. 2, Relating to Watershed Protection. Establishing a new assessment or fee is never popular but the protection of our mountain watersheds is a pressing priority for Hawaii's economy and future generations. A dependable funding source is needed to ensure that Hawaii's watersheds are protected and managed. No dedicated funding source exists today, and we are concerned that Hawaii's forest watersheds are degrading, with negative impacts to the quality and quantity of Hawaii's available water supply. The services provided by healthy forests in Hawaii are enormous, spanning beyond just water. We recognize that there are details that need refinement in H.B. No. 2835, H.D. 2, but urge that the legislature continue the important dialogue to develop a dependable funding source for the management of Hawaii's watershed forests and water resource management programs.

A healthy watershed forest is no accident. It is the result of the investment that was made in good watershed management many decades ago.

This measure establishes a watershed protection trust fund to provide a dedicated source of funds to protect, preserve, and enhance important water resources. The bill amends the State Water Code to provide that the Commission on Water Resource Management (Commission) will administer the watershed protection trust fund.

The price Hawaii consumers pay for water generally includes: the amortized cost of infrastructure to collect, purify and distribute water; the cost of energy to move water from source to tap; and the cost to staff and materials to maintain, monitor and administer water services. However, no cost is assigned to water resources in their natural state or the costs associated with insuring sustainable watersheds to collect and percolate our water supplies. Yet, these values are enormous, especially when compared to the current prices charged for water. In November 1997, a team of economists at the University of Hawaii began a natural resource valuation of the Koolau Mountains watershed on the island of Oahu. Their preliminary economic analysis of the amenities provided by the Koolau Mountains watershed on Oahu show an estimated Net Present Value of 7.44 to 14.0 billion dollars. Amenities considered in the analysis were ground water quantity, water quality, in-stream uses, species habitat, bio-diversity, subsistence, hunting, aesthetic, commercial harvests, ecotourism, and climate control. Net present value per acre was estimated at \$76,000 to \$143,535, with a mean annual stream of benefits at roughly \$165 million or \$1,700 per acre. Net present values were calculated using 3% and 1% social discount rates for the ranges.

We believe that any assessment should be equitable and that all users of water should pay their

fair share of the costs to protect the watershed. While the Department supports the equity concept, it recommends that the implementation might be considered in a phased approach as each island has different water use regimes. For example in 1997, water use on the island of Oahu was 217.3 million gallon per day (MGD), with 97% coming from ground water. The distribution systems can be broken out as follows:

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Some of these systems are independent (e.g. military, agriculture, private purveyors for their own use) while others are controlled via the Public Utilities Commission (e.g. private purveyors that sell water). Of the 64% of the water running through the Honolulu Board of Water Supply (139 MGD), 60% is for domestic use (approximately 38% of total water use), 27% industry and commercial (approximately 17% of total water use), 9% government (approximately 6% of total water use), and 2% agriculture (approximately 1.3% of total water use). While any water assessment should strive for equity, it might be problematic to craft language to catch all water users immediately. In addition, other public policies (e.g. support of agriculture) may also influence the final crafting of proposed language.

The Department of Land and Natural Resources (Department) suggests that certain changes be made to the bill for clarity and consistency with current program objectives of the Commission and to address the added administrative costs to administer the watershed protection trust fund.

1. On page 4, line 9, insert language to read as follows: "aquatic resources studies; and (3) Administrative costs."
2. We suggest that similar language contained in H.B. No. 2835, H.D. 1, which allowed the watershed protection trust fund review board to study the equity issue be re-inserted within this measure.

In conclusion, the Department supports H.B. No. 2835, H.D. 2.

**TESTIMONY OF THE CHAIRPERSON  
OF THE COMMISSION ON WATER RESOURCE MANAGEMENT  
DEPARTMENT OF LAND AND NATURAL RESOURCES**

**On H. B. No. 2835, H.D. 2, S.D. 2 Relating to Watershed Protection**

**BEFORE THE  
SENATE COMMITTEE ON WAYS AND MEANS  
April 6, 2000**

Thank you very much for the opportunity to testify on House Bill 2835, H.D. 2, S.D. 2 Relating to Watershed Protection. The Department strongly supports this bill. Establishing new fees or taxes is never popular but the protection of our mountain watersheds is a pressing priority for Hawaii's economy and future generations. More than a century ago, our island's forests were protected by a public and private partnership that came together to create forest reserves. Today we benefit from this 100-year-old investment. However, today public investment in watershed management has diminished. Our watersheds are a billion-dollar resource receiving a tiny fraction of that for their protection. We are concerned that Hawaii's forest watersheds are degrading, with negative impacts to the quality and quantity of Hawaii's available water supply.

A healthy watershed forest is no accident. Wildfire suppression and prevention, water resource monitoring, reforestation, erosion prevention and control from invasive weeds like Miconia and overpopulation of animals, maintenance of trails and accesses for public hunters, and public outreach - all are needed watershed management activities in Hawaii. The Department has supported watershed partnerships are the best approach to manage large forested watershed recharge areas. Additionally, it is critical for watershed protection that sufficient baseline data on the existing conditions of ground and surface waters.

Today, the price Hawaii consumers pay for water generally includes: the amortized cost of infrastructure to collect, purify and distribute water; the cost of energy to move water from source to tap; and, the cost to staff and materials to maintain, monitor and administer water services. However, no cost is assigned to water resources in their natural state or the costs associated with insuring sustainable watersheds to collect and percolate our water supplies. Yet, these values are enormous, especially when compared to the current prices charged for water. In November 1997, a team of economists at the University of Hawaii began a natural resource valuation of the Koolau Mountains watershed on the island of Oahu. Their preliminary economic analysis of the amenities provided by the Koolau Mountains watershed on Oahu show an estimated Net Present Value of 7.44 to 14.0 billion dollars. Amenities considered in the analysis were ground water quantity, water quality, in-stream uses, species habitat, biodiversity, subsistence, hunting, aesthetic, commercial harvests, ecotourism, and climate control. Net present value per acre was estimated at \$76,000 to \$143,535, with a mean annual stream of benefits at roughly \$165 million or \$1,700 per acre. Net present values were calculated using 3% and 1% social discount rates for the ranges.

The bill proposes that the monies collected would be used to fund:

- (1) Projects or activities that manage and protect watershed management areas.

Attachment 1 breakdowns a potential scenario of statewide funding for existing and potential watershed partnerships if this bill was passed. Estimated budget for the existing and proposed watershed partnerships is approximately \$2.3 million dollars. See attachment #1.

- (2) Water and watershed resource monitoring efforts. It is critical for good watershed protection that sufficient data on the existing conditions of ground and surface water resources be garnered. The Department currently funds a contract with the USGS for statewide ground and surface water monitoring program. The current level of funding is \$415,000 (general funds) is less than half of the funding that existed five years ago. Each dollar used for the monitoring program is matched dollar for dollar with federal monies. Without the state monies match, the federal funding has similarly been cut. The Department would propose increasing the State's share of the program to \$550,000 with an increased federal dollar for dollar match. See attachment #1.
- (3) Administrative costs. The Department estimates that administration of the program will require additional staffing and will incur additional costs for the board. The Department estimates that these costs should be no more than \$150,000 or approximately 5% of the estimated amount to be collected under this bill. See attachment #1.

The Department is confident that any state funds from this dedicated state funding source could be leveraged at a dollar for dollar match from Federal grants or private contributions.

The amendments in H.B. 2835, H.D.2, S.D.2 assesses the county water agencies and private water systems a fee based on the consumption of water for domestic purposes at a rate of not more than \$1 per month for each serviced customer. Senate Draft No. 2 addresses some of the concerns raised at the house and senate hearings on this bill. Several of the county water departments expressed concern about assessing a fee on only one segment of users: domestic, residential customers. This proposed draft would assess a fee on all water users on the municipal system including commercial and the small percentage of agricultural users. Second, the proposed draft gives the Commission some flexibility to set an assessment that takes into account economic hardship to pay the fee and also the costs that would be incurred by the county water departments or private water purveyors to bill and collect the fee. The Commission is committed to working with the county water departments and private water purveyors to have a smooth implementation of this bill.

In conclusion, the Department supports H.B. 2835, H.D.2, S.D. 2.

## **WATERSHED PARTNERSHIPS IN HAWAII**

### **Potential Expenditures from the Watershed Protection Trust Fund**

The current draft of HB2835, HD2, SD2 authorizes the use of the watershed protection trust fund for the following uses:

*(b) The purpose of the trust fund is to fund public and private watershed management projects and activities benefitting water quality, water quantity, and general watershed values within designated watershed management areas. The trust fund shall be used to fund:*

- (1) Projects or activities that manage and protect watershed management areas including watershed maintenance and enhancement projects within watershed management areas, including erosion prevention and control, reforestation, and exclusion of stock;*
- (2) Water and watershed resources monitoring efforts, including stream and rainfall gauging, well and ground-water monitoring, and water quality and stream aquatic resources studies; and*
- (3) Administrative costs.*

The Department has supported watershed partnerships are the best approach to manage large forested watershed recharge areas in Hawaii for several reasons:

- ✓ The entire watershed recharge area needs protection and this requires the involvement of all major landowners. Each part of the watershed area is affected by the health of the neighboring parcels.
- ✓ Even when combined, the resources of the watershed partners are limited in relation to what is needed to protect the entire watershed. These limited resources must be carefully managed in order to address the threats to the watershed. A combined effort will take advantage of economies of scale for large fencing projects and other infrastructure needs. It will also promote sharing of technical expertise to make each partner more effective.
- ✓ Threats such as invasive weeds do not respect parcel boundaries. By working together, the partners will be more effective in controlling these threats wherever they occur.
- ✓ Success in large scale watershed projects depend on community involvement and support. Cooperation among the major landowners and a clear plan for the watershed are prerequisites for widespread community support. The planning process also provide a forum for public input.

The successful creation of the East Maui Watershed Partnership in 1993 and West Maui Mountains Watershed Partnership in 1998 has reinvigorated the historic cooperative partnership of public and private sectors in working together to protect essential forested watershed recharge areas in Hawaii. These partnerships encompass over 100,000 acres of some of the important forested watershed recharge areas within the State. In 1999, the Koolau Mountain Watershed Partnership on the island of Oahu and a East Molokai Watershed Partnership were also formed. Other key watersheds recharge areas that large scale watershed partnerships could be applied effectively include the Kohala Mountains



Potential Expenditures from the Watershed Protection Trust Fund - HB2835, HD2, SD2  
Attachment 1

and Hualalai Mountains in Hawaii County, the Waianae Mountains on Oahu, and South Maui, Lanaihale, an addition to the East Molokai Partnership in Maui County, and East/West Kauai .

Each partnership will need to take an unique approach, largely driven by the mix of landowners, the current status of the watersheds, and the nature of the threats. They will tend to have higher initial costs for infrastructure (fences, shelters, trails, helipads) which could be considered capital improvements. There will be lower costs for maintenance. For example, the East Maui Watershed Partnership (60,000 acres) needed about \$1,200,000 for initial costs but long term maintenance will run @\$100,000 - \$200,000.

This draft projection is based on annual income stream of \$3,000,000/year. If less were collected, we would fund less new projects. The Department is confident that any state funds from this dedicated state funding source could be leveraged at a dollar for dollar match from Federal grants or private contributions. The areas designated as potential watershed partnerships should be reviewed as draft only. The Department respect the rights of private landowners to be involved at the very start in any potential watershed partnerships that might involve their lands.

	<u>FY00</u>	<u>FY01</u>	<u>FY02</u>	<u>FY03</u>
	( in thousands)			
<b><u>Existing Watershed Partnerships</u></b>				
East Maui	200	200	200	200
West Maui	300	200	200	100
Koolau Mountains	600	500	400	200
Central Molokai	<u>100</u>	<u>200</u>	<u>200</u>	<u>100</u>
<b>Subtotal</b>	<b>1200</b>	<b>1100</b>	<b>1000</b>	<b>600</b>
<b><u>Potential Watershed Partnerships</u></b>				
Honolulu County (Waianae Mountains)	400	400	400	400
Hawaii County (Kohala Mountains)	100	200	200	300
Hawaii County (Hualalai Mountain)	100	100	200	200
Maui County (South Maui)	100	100	100	200
Maui County (Lanaihale)	100	100	100	100
Maui County (East Molokai)	100	100	100	100
Kauai County (West Kauai)	100	100	100	200
Kauai County (East Kauai)	<u>100</u>	<u>100</u>	<u>100</u>	<u>200</u>
<b>Subtotal</b>	<b>1100</b>	<b>1200</b>	<b>1300</b>	<b>1700</b>
<b><u>State-wide Functions</u></b>				
Stream Monitoring	550	550	550	550
Administration	<u>150</u>	<u>150</u>	<u>150</u>	<u>150</u>
<b>Subtotal</b>	<b>700</b>	<b>700</b>	<b>700</b>	<b>700</b>

**Established Watershed Partnerships**

**Watershed Partnership:** East Maui Mountains Watershed - established 1993

**Land Ownership/Acreage:** Federal, State, Private / 100,000 acres

**Water Values at Stake:** agricultural and domestic water - current use of 60 billion gallons /year

**Other Watershed Values:** native species and ecosystems, hunting, hiking, cultural, offshore waters

**Major Threats:** feral ungulates, invasive weeds

**Management Priorities:** animal and weed control (Miconia)

**Watershed Partnership:** West Maui Mountains Watershed - established 1998

**Land Ownership/Acreage:** State, County, Private / 48,000 acres

**Water Values at Stake:** agricultural and domestic water - current use of 29 billion gallons /year

**Other Watershed Values:** native species and ecosystems, cultural, offshore waters

**Major Threats:** wild cattle, feral ungulates, invasive weeds, fire

**Management Priorities:** animal and weed control, fire prevention

**Watershed Partnership:** Koolau Mountains Watershed - established 1999

**Land Ownership/Acreage:** Federal, State, County, Private / 100,000 acres

**Water Values at Stake:** agricultural and domestic water - Sustainable yield of 133 billion gallons /year

**Other Watershed Values:** native species and ecosystems, hunting and hiking, cultural, offshore waters

**Major Threats:** fire, invasive weeds, uncontrolled recreation

**Management Priorities:** access development, weed control, fire prevention

**Watershed Partnership:** East Molokai Watershed - established 1999

**Land Ownership/Acreage:** Federal, State, Private / 5,000 acres

**Water Values at Stake:** agricultural and domestic water

**Other Watershed Values:** native species and ecosystems, hunting and hiking, cultural, offshore waters

**Major Threats:** feral ungulates, invasive weeds, fire

**Management Priorities:** animal and weed control, fire prevention

**Potential Watershed Partnerships**

**Watershed Partnership:** Waianae Mountains Watershed

**Land Ownership/Acreage:** Federal, State, County, Private / 30,000 acres

**Water Values at Stake:** agricultural and domestic water

**Other Watershed Values:** native species and ecosystems, hunting, hiking, cultural, offshore waters

**Major Threats:** wildfires, feral ungulates, invasive weeds

**Management Priorities:** fire prevention, reforestation

**Watershed Partnership:** Kohala Mountains Watershed

**Land Ownership/Acreage:** State, Private / 80,000 acres

**Water Values at Stake:** agricultural and domestic water - 7 separate water systems

**Other Watershed Values:** native species and ecosystems, hunting, hiking, cultural, tourism

**Major Threats:** feral ungulates, invasive weeds

**Management Priorities:** animal and weed control, reforestation

**Watershed Partnership: Hualalai Mountain Watershed**

**Land Ownership/Acreage:** State, Private / 50,000 acres

**Water Values at Stake:** domestic water - feeds high level water table for Kona and Kohala

**Other Watershed Values:** native species and ecosystems, hiking, ranching, cultural, offshore waters

**Major Threats:** wild cattle, fire, invasive weeds

**Management Priorities:** reforestation, fire prevention

**Watershed Partnership: South Maui Watershed**

**Land Ownership/Acreage:** Federal, State, Private / 18,000 acres

**Water Values at Stake:** domestic and agricultural water

**Other Watershed Values:** native species and ecosystems, hunting and hiking, cultural, offshore waters

**Major Threats:** wild cattle, feral ungulates, invasive weeds, fire

**Management Priorities:** access development, weed control, fire prevention

**Watershed Partnership: Lanaihale Watershed**

**Land Ownership/Acreage:** Private / 10,000 acres

**Water Values at Stake:** agricultural and domestic water

**Other Watershed Values:** native species and ecosystems, hunting, hiking, outdoor recreation, cultural, offshore waters

**Major Threats:** wildfires, feral ungulates, invasive weeds

**Management Priorities:** fire prevention, animal and weed control

**Watershed Partnership: East Molokai Mountains Addition**

**Land Ownership/Acreage:** State, Private / 18,000 acres

**Water Values at Stake:** agricultural and domestic water

**Other Watershed Values:** native species and ecosystems, hunting, cultural, offshore waters

**Major Threats:** feral ungulates, invasive weeds, fire

**Management Priorities:** access development, animal and weed control

**Watershed Partnership: West Kauai Watershed**

**Land Ownership/Acreage:** Federal, State / 20,000 acres

**Water Values at Stake:** agricultural and domestic water

**Other Watershed Values:** native species and ecosystems, hunting and hiking, tourism, cultural, offshore waters

**Major Threats:** fire, feral ungulates, invasive weeds

**Management Priorities:** animal and weed control, fire prevention

**Watershed Partnership: East Kauai Watershed**

**Land Ownership/Acreage:** Federal, State, Private - 24,000 acres

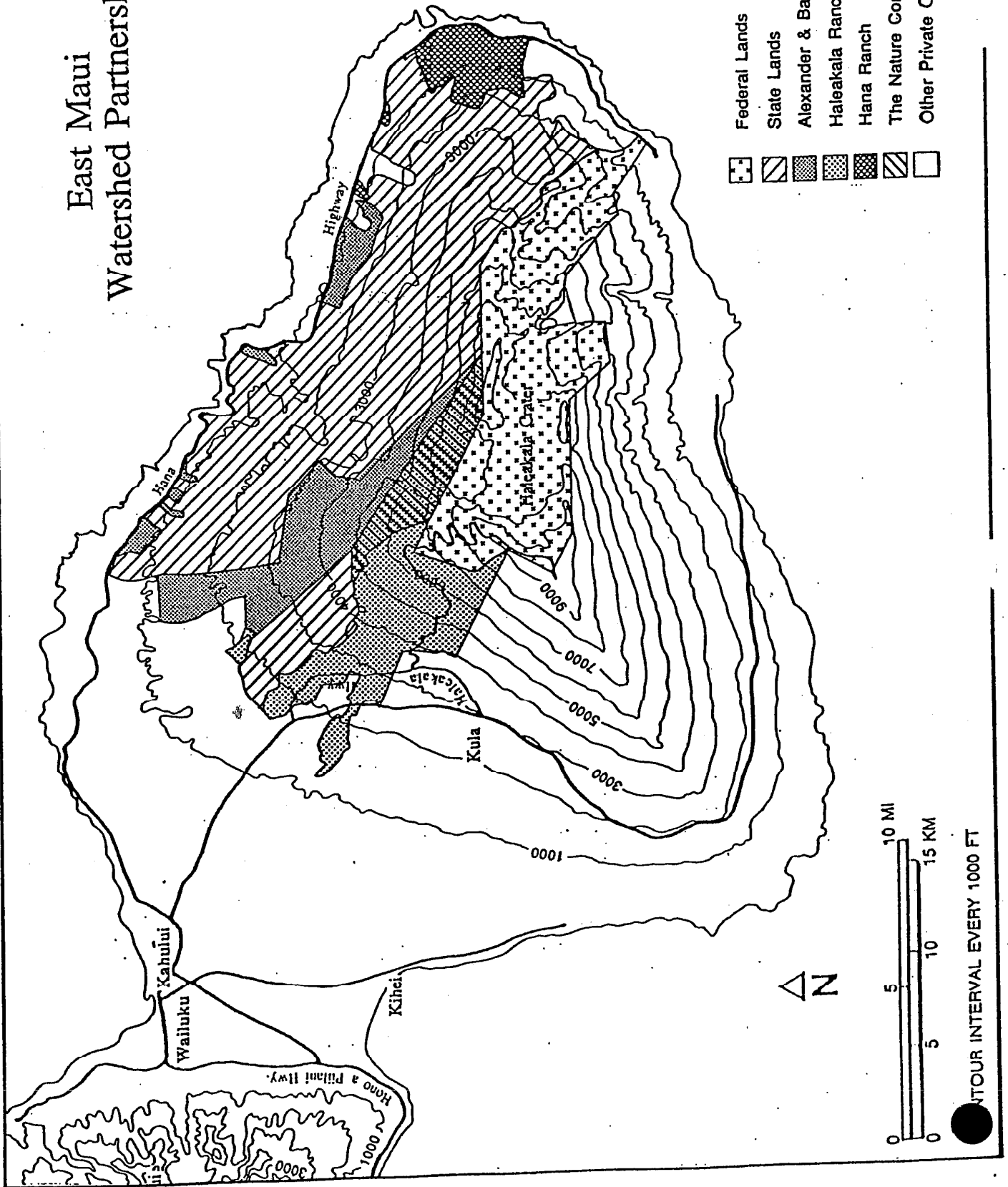
**Water Values at Stake:** agricultural and domestic water

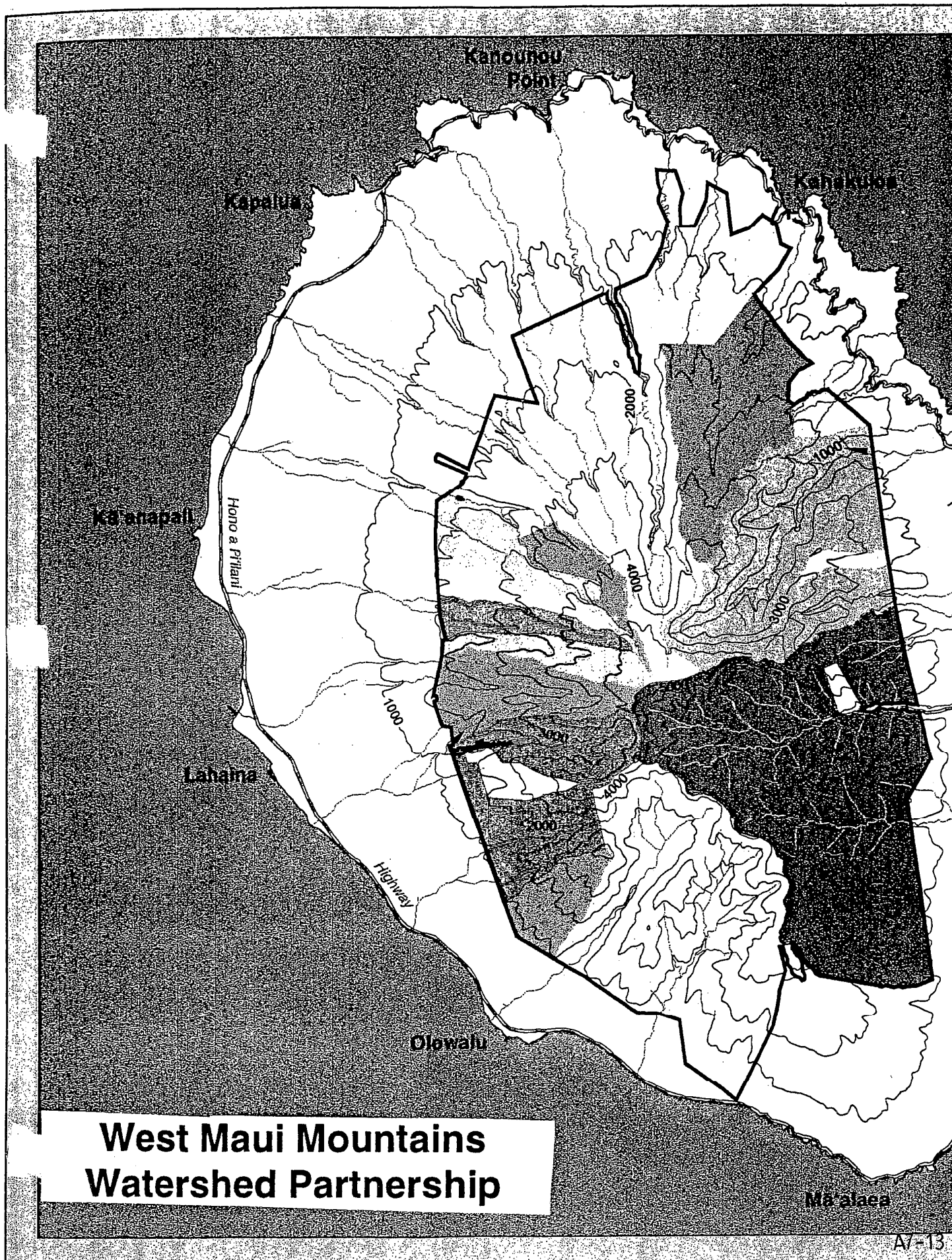
**Other Watershed Values:** native species and ecosystems, hunting, hiking, cultural

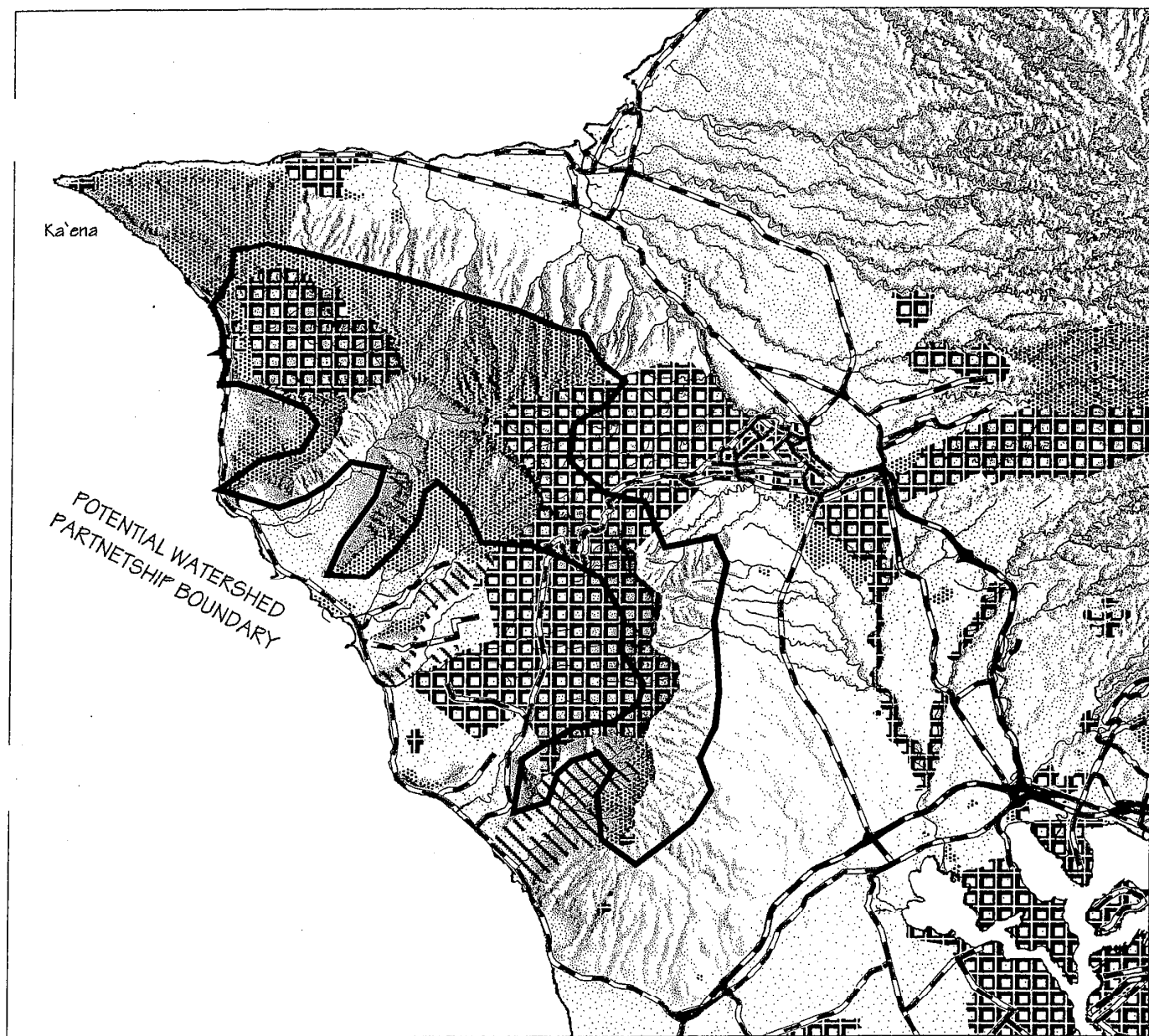
**Major Threats:** feral ungulates, invasive weeds

**Management Priorities:** fencing, weed control

# East Maui Watershed Partnership

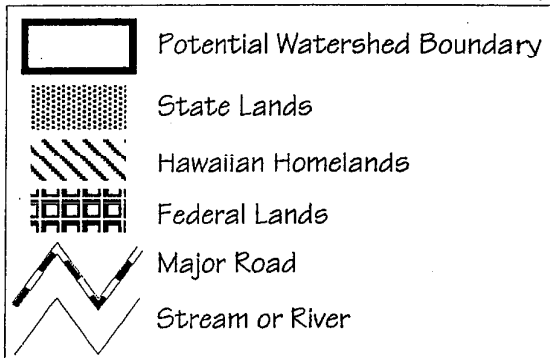
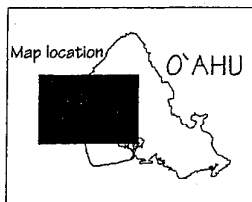




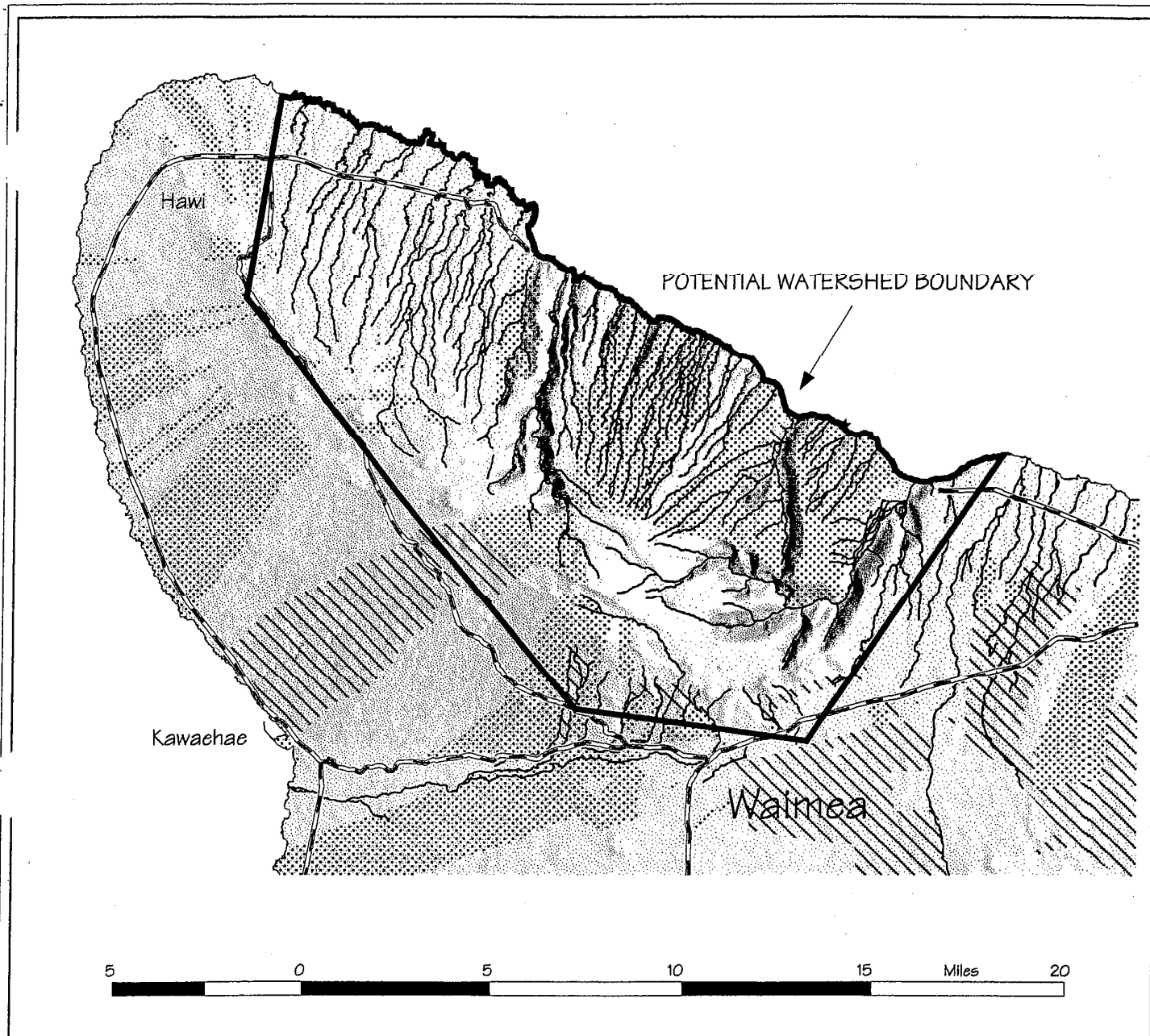


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# Potential Waiana'e Watershed Partnership LEGEND

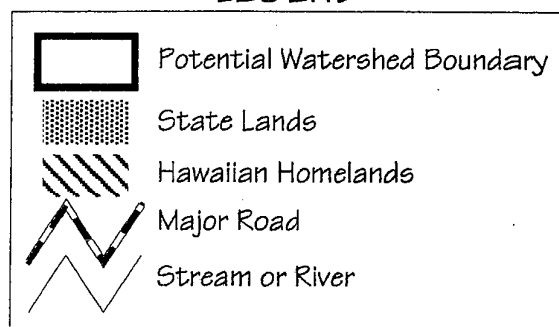


Source: State of Hawaii Geographic Information System; DLNR/Division of Forestry and Wildlife  
 Contact: Ronald Cannarella, DLNR/DOFAW; tel (808) 587-4189  
 Map prepared April 5, 2000, Honolulu, Hawaii



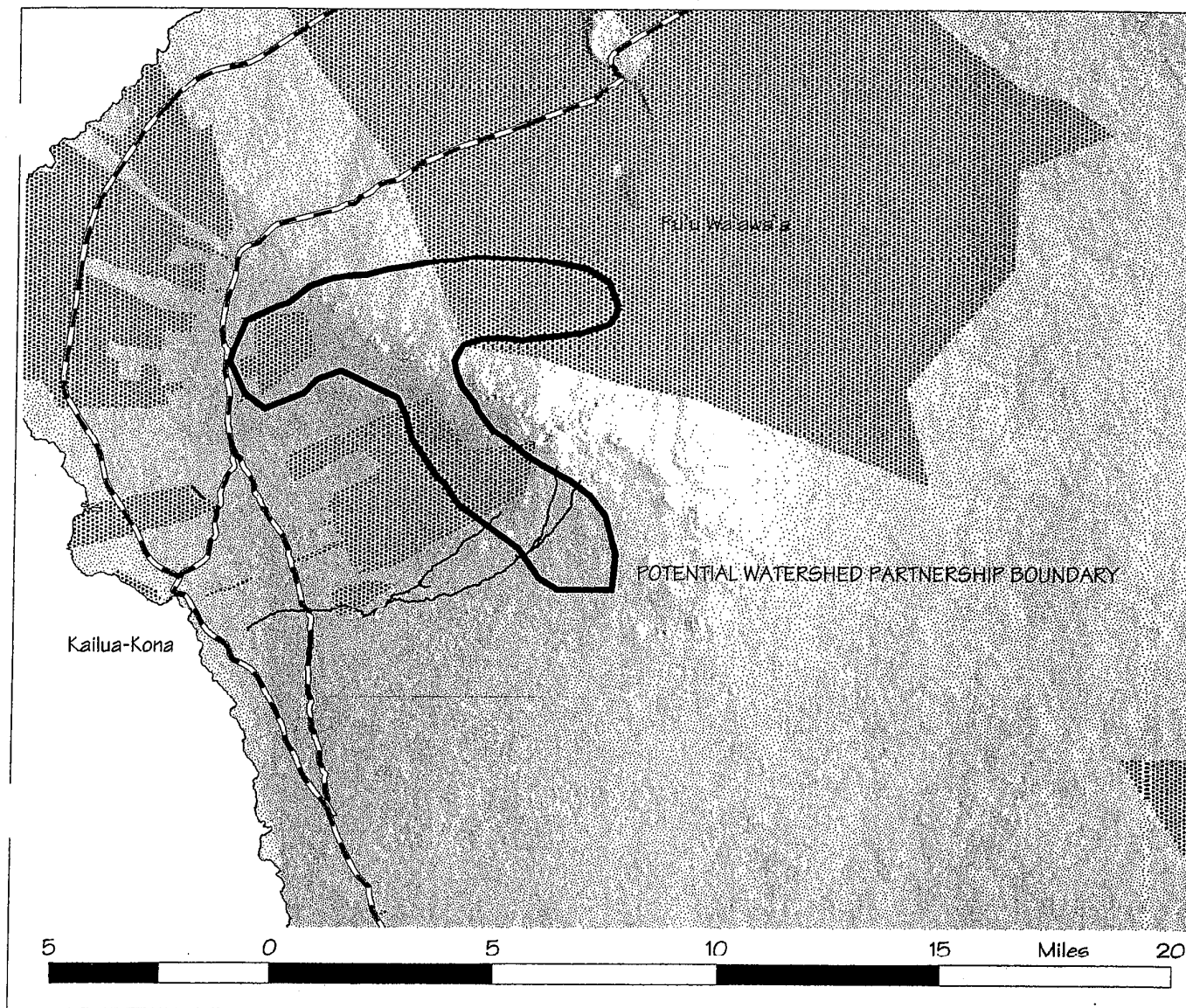
# Potential Kohala Watershed Partnership

## LEGEND



Data Source: State of Hawaii Geographic Information System; DLNR/Division of Forestry and Wildlife  
 Contact: Ronald Cannarella, DLNR/DOFAW; tel (808) 587-4189  
 Map prepared April 5, 2000, Honolulu, Hawaii





# Potential Hualalai Watershed Partnership

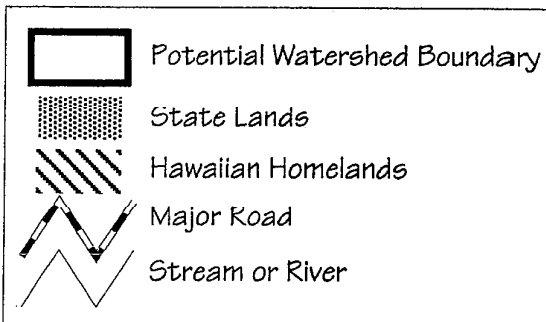
## LEGEND



Map location



HAWAII

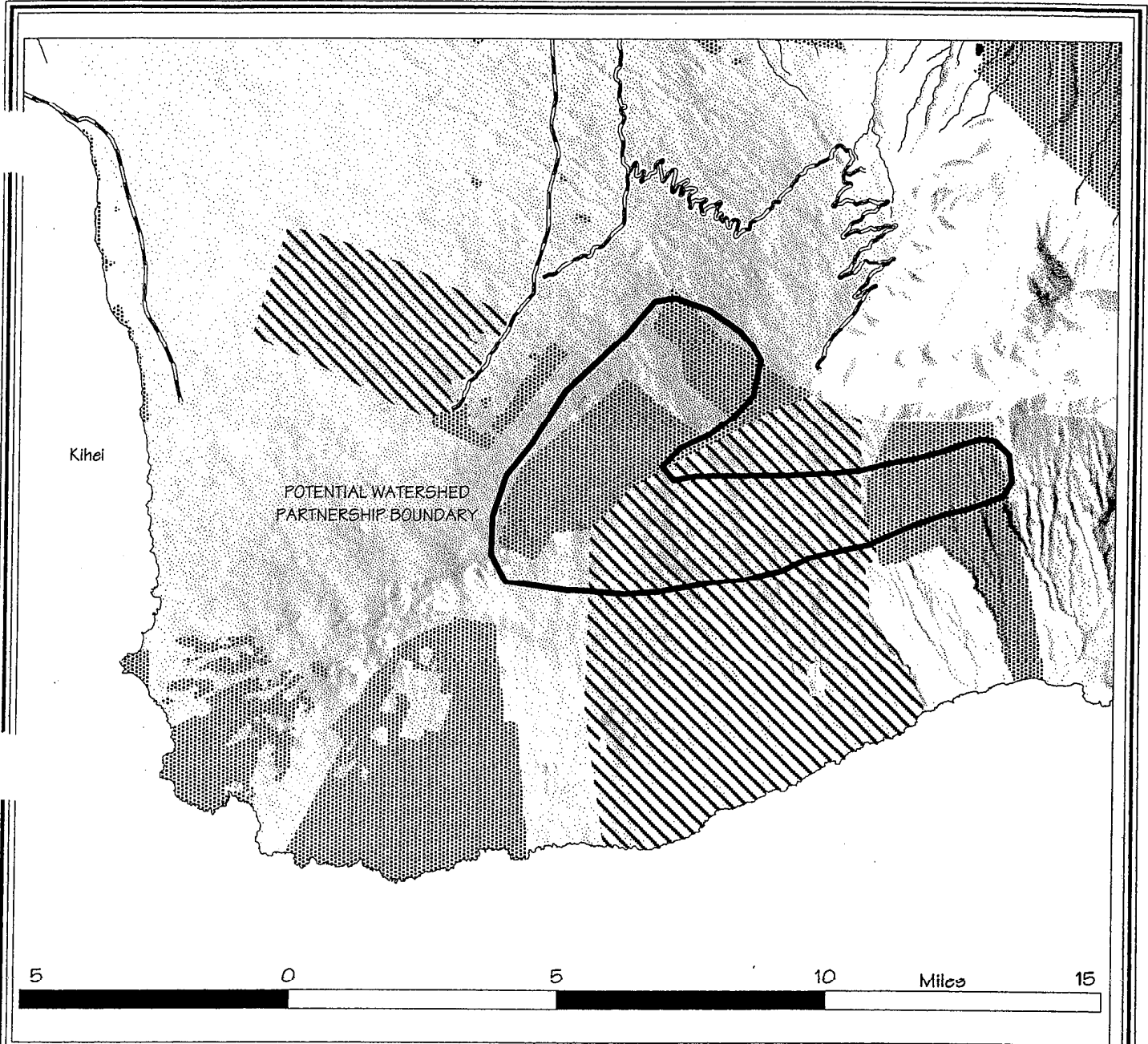


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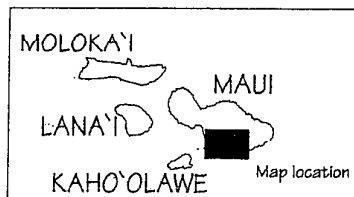
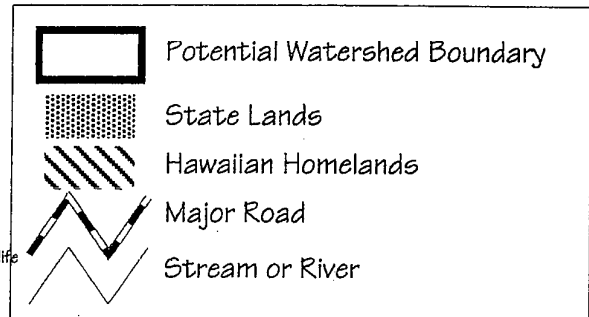
Map prepared April 5, 2000, Honolulu, Hawaii





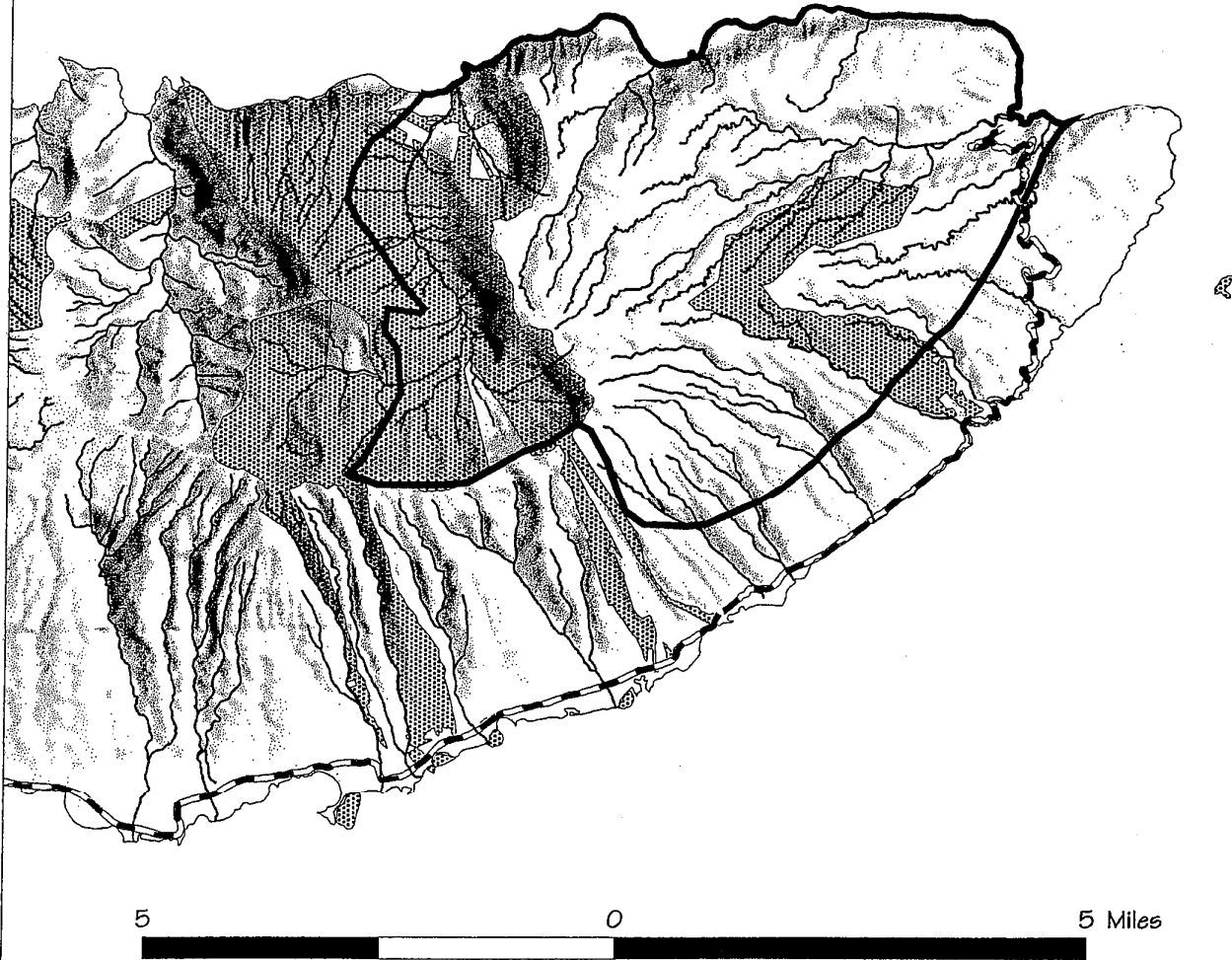
# Potential South Maui Watershed Partnership

## LEGEND

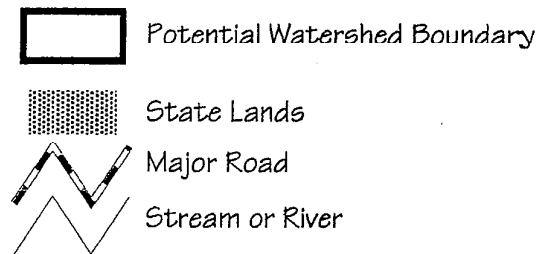
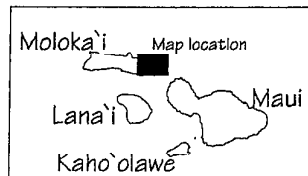


Data Source: State of Hawaii Geographic Information System; DLNR/Division of Forestry and Wildlife  
 Contact: Ronald Cannarella, DLNR/DOFAW; tel (808) 587-4189  
 Map prepared April 5, 2000, Honolulu, Hawaii

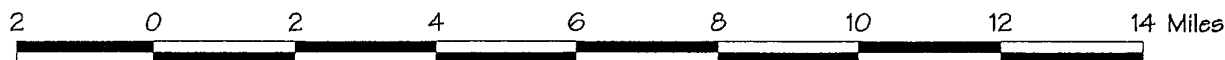
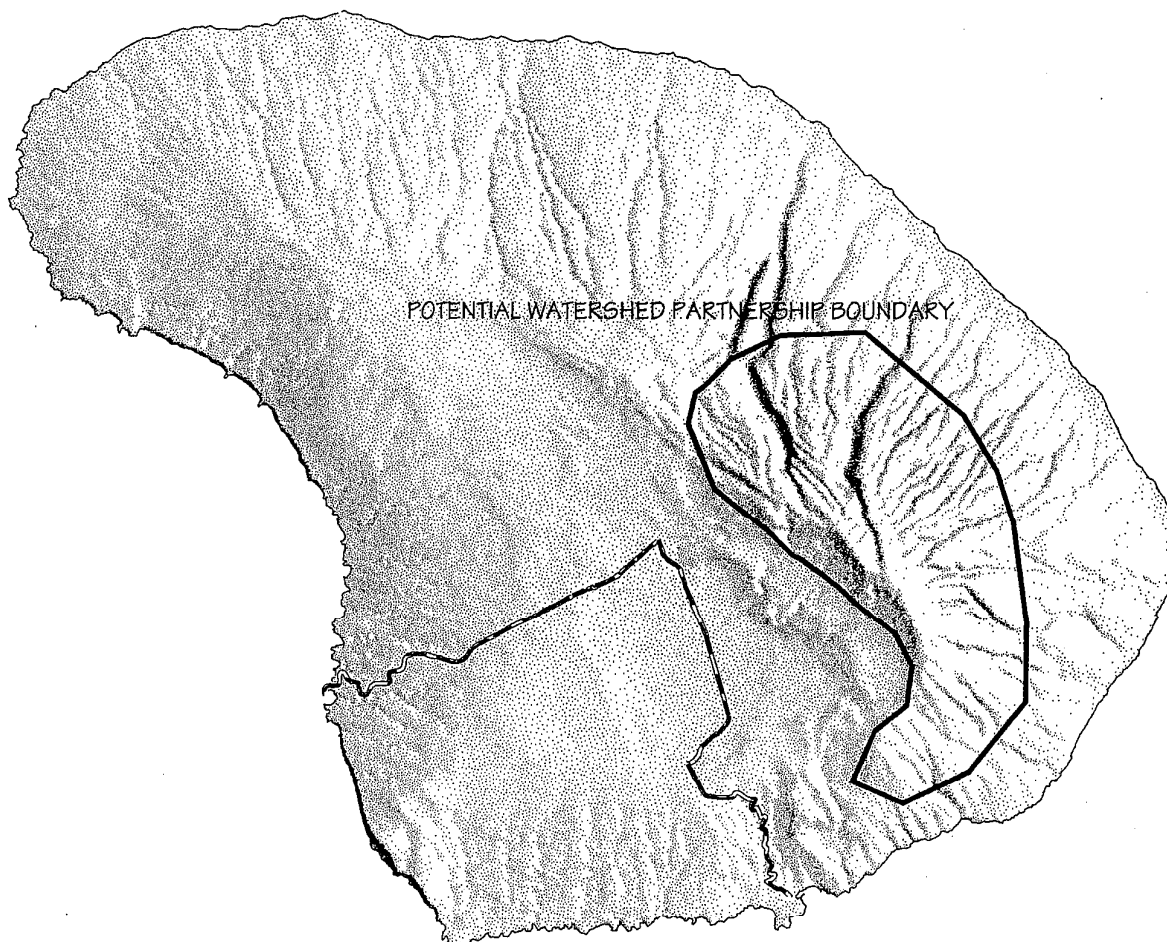
POTENTIAL WATERSHED PARTNERSHIP BOUNDARY



# Potential East Moloka'i Watershed Partnership LEGEND

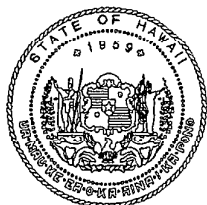


Data Source: State of Hawaii Geographic Information System; DLNR/Division of Forestry and Wildlife  
 Contact: Ronald Cannarella, DLNR/DOFAW; tel (808) 587-4189  
 Map prepared April 5, 2000, Honolulu, Hawaii






# Potential Lanai Watershed Partnership

## LEGEND



Map location

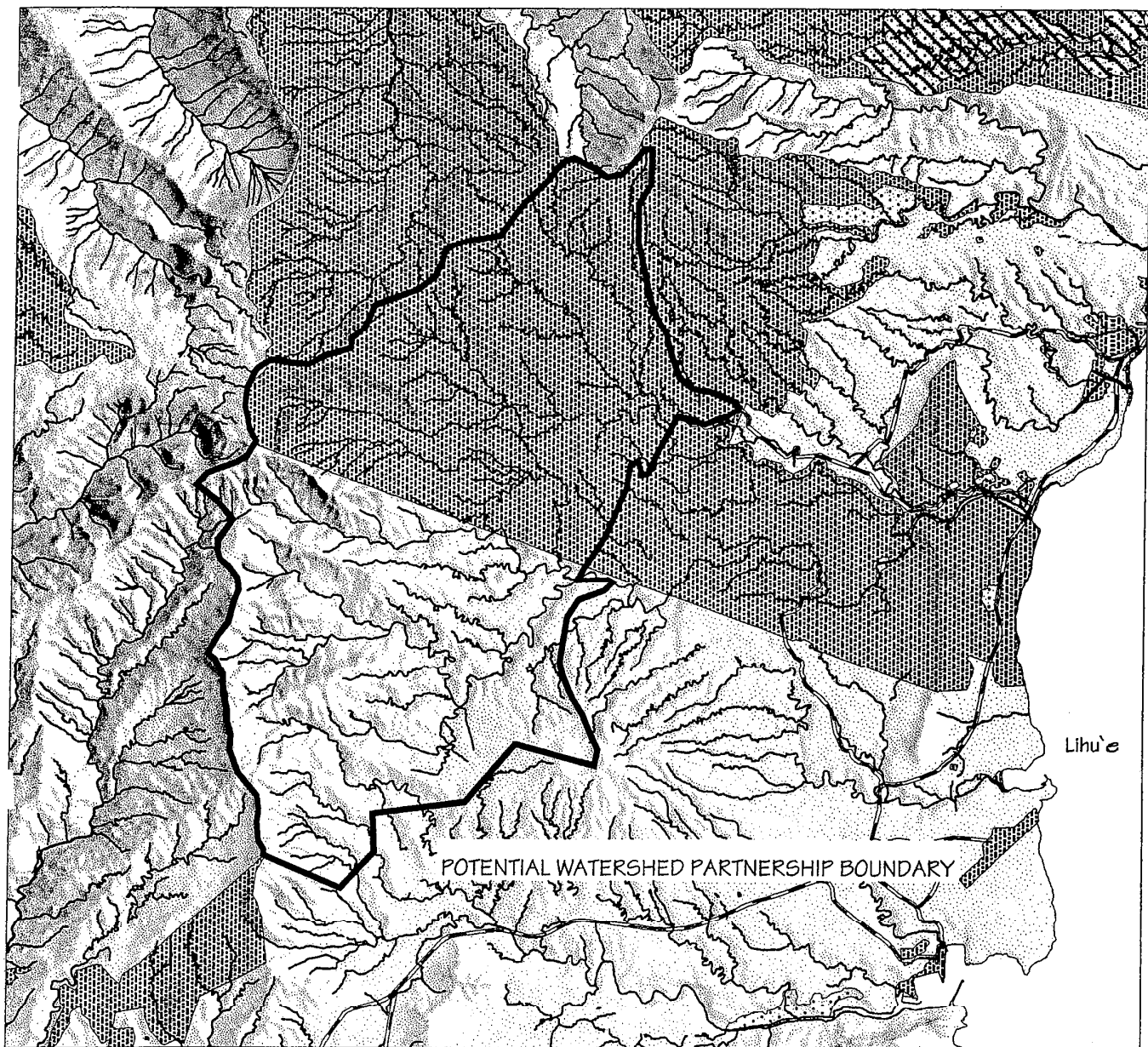


-  Potential Watershed Boundary
-  Major Road
-  Stream or River

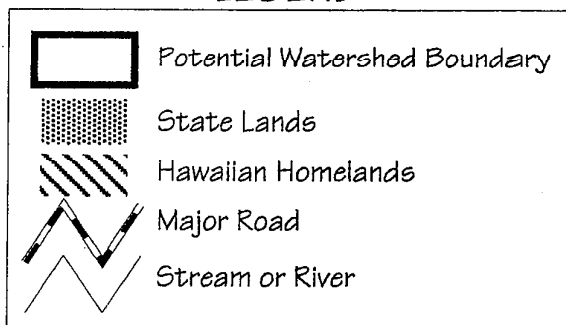
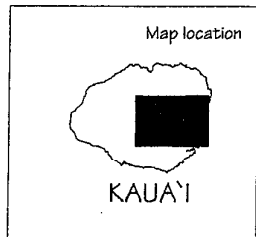
Data Source: State of Hawaii Geographic Information System; DLNR/Division of Forestry and Wildlife

Contact: Ronald Cannarella, DLNR/DOFAW; tel (808) 587-4189

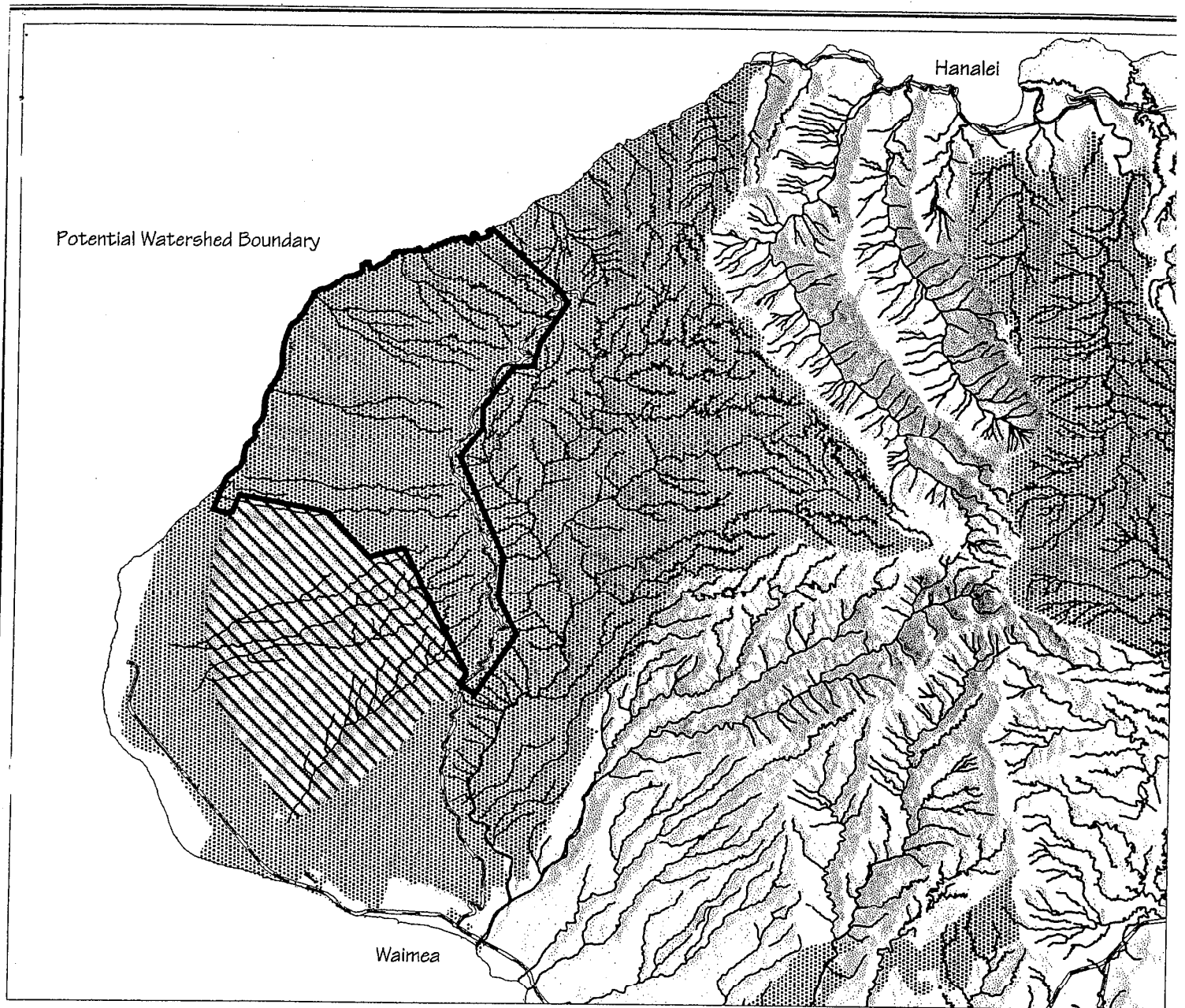
Map prepared April 5, 2000, Honolulu, Hawaii



# Potential East Kauai Watershed Partnership LEGEND

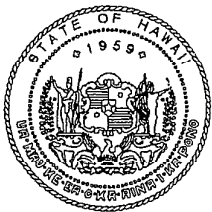
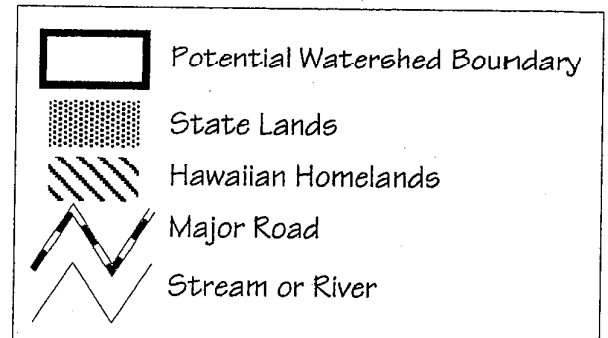


Map Source: State of Hawaii Geographic Information System; DLNR/Division of Forestry and Wildlife  
 Contact: Ronald Cannarella, DLNR/DOFAW; tel (808) 587-4189  
 Map prepared April 5, 2000, Honolulu, Hawaii



# Potential West Kaua'i Watershed Partnership

## LEGEND



Map location



KAUAI

Source: State of Hawaii Geographic Information System; DLNR/Division of Forestry and Wildlife  
 Contact: Ronald Cannarella, DLNR/DOFAW; tel (808) 587-4189  
 Map prepared April 5, 2000, Honolulu, Hawaii

April 26, 2000

Representative Romy M. Cachola, Co-Chair  
Conference Committee HB 2835 HD2 SD2  
The Twentieth Legislature  
Regular Session of 2000

Dear Co-Chair Cachola,

Subject: House Bill 2835 HD2 SD2 Relating to Watershed Protection

In response to your request made at the Conference Committee Meeting held on April 25, 2000, we provide the following.

*Can the county water departments commit 1 percent of their annual operating budget to watershed protection?*

We regret that we are unable to provide a response to your question in this short time frame because it requires the approval of our respective boards or commissions to make this type of financial commitment. Unfortunately, the earliest that all boards and commissions can meet to take up this matter would be in mid-May.

However, this does not mean that each county water department is not already expending its funds to address watershed protection, and the even more encompassing water resource management needs of the State of Hawaii. Programs funded by the county water departments include,

- Cooperative partnerships for monitoring and water resource studies with the United States Geological Survey (USGS) that allow for a federal match of county funds.
- A tri-county (Hawaii, Kauai and Maui) exploratory monitor well drilling program with the USGS solely funded by the counties. This included the purchase of the drilling rig equipment by the Honolulu, Hawaii and Kauai water departments for \$1 million. The objective of this program is to expand and improve our knowledge of our water resources (including watersheds) to provide to develop better management tools (e.g., computer simulation models of groundwater aquifer systems).

Drilling of deep monitor wells by the county water department to monitor the condition of groundwater aquifer systems (i.e., the condition of the basal lens).

Representative Romy M. Cachola, Co-Chair  
Subject: House Bill 2835 HD2 SD2 Relating to Watershed Protection  
April 26, 2000  
Page 2

- Watershed partnerships to preserve and protect valuable watersheds (e.g., East Maui Watershed Partnership, West Maui Watershed Partnership, East Molokai Watershed Partnership, Koolau Watershed Partnership).
- Projects to remove miconia that endangers watersheds.
- Maintaining county water department staff to collect streamflow, rainfall and water table data, and monitoring water quality of water sources.
- Partnerships with respective State Soil and Water Conservation Districts.
- Environmental assessments of watersheds.

Some of the estimated past expenditures for each county water department include:

Honolulu Board of Water Supply (City and County of Honolulu)

Drilling of Deep Monitor Wells on Oahu	\$5 million
Hydrology-Geology Section (internal staff annual cost, FY1999)	\$317,700
Purchase of Tri-County USGS Drill Rig (BWS share)	\$335,000

Hawaii Department of Water Supply (County of Hawaii)

Operation and Maintenance of Stream Gages (FY2000)	\$ 11,200
Tri-County USGS Drilling Program (FY2000)	\$194,000
Purchase of Tri-County USGS Drill Rig (DWS share)	\$335,000

Maui Department of Water Supply (County of Maui)

USGS Iao Aquifer Monitoring (FY2000)	\$ 22,400
East Maui Watershed Partnership (FY2000)	\$ 60,000
West Maui Watershed Partnership (FY2000)	\$ 25,000
East Molokai Watershed Partnership (FY2000)	\$ 12,500
Miconia Eradication (Maui DWS and Maui County, FY2000)	\$160,000
Maui Soil and Water Conservation District (Maui County, FY2000)	\$ 33,800
Molokai & Lanai Soil and Water Conservation Dist. (Maui Cty., FY2000)	\$ 10,000

Department of Water (County of Kauai)

USGS Cooperative Water Resource Studies (to date)	\$471,000
Tri-County USGS Drilling Program (to date)	\$1.24 mil.
Purchase of Tri-County USGS Drill Rig (DOW share)	\$335,000
East & West Kauai Soil and Water Conservation District	\$ 5,000

The estimated total county expenditures, including a mix of to-date and current annual costs, is about \$9,107,800. This represents about 5.4 percent of the annual revenue collected by all four county water departments. Subject to the approval of our respective boards and commissions, we are committed to continue this level of effort.

Representative Romy M. Cachola, Co-Chair  
Subject: House Bill 2835 HD2 SD2 Relating to Watershed Protection  
April 26, 2000  
Page 3

In conclusion, the county water departments are already committing a substantial amount of its financial resources to watershed and water resource management in the State of Hawaii.

If you have any questions or need additional information, please call Ernest Lau at (808)245-3669.

Sincerely,

Clifford Jamile, Manager and Chief Engineer  
Honolulu Board of Water Supply

Milton Pavao, Director  
Hawaii Department of Water Supply

David Craddick, Director  
Maui Department of Water Supply

Ernest Lau, Manager and Chief Engineer  
Kauai Department of Water



April 5, 2000

The Honorable Carol Fukunaga, Chair  
Committee on Ways and Means  
The Senate  
Conference Room  
State Capitol  
Honolulu, Hawaii 96813

Dear Chair Fukunaga:

Subject: House Bill 2835, House Draft 2, Senate Draft 2, Relating to Watershed Protection

I am Clifford Jamile, Chief Engineer of the Board of Water Supply, City and County of Honolulu.

We oppose House Bill 2835, House Draft 2, Senate Draft 2, relating to Watershed Protection, which will allow the Commission on Water Resource Management to charge the county water agencies and private water systems regulated by the public utilities commission, a watershed protection fee for each serviced customer. We have the following concerns:

1. We have serious concerns on the inequity in the bill. Watershed protection programs benefit a much larger group than just municipal water users. Agricultural uses, the military and other non-PUC regulated private users of groundwater and surface water will benefit from watershed management programs but are not being assessed.
2. On Oahu, the prime watersheds are forested and provide sufficient vegetative retention for rainfall to recharge the groundwater aquifers. Existing conservation land use laws will continue to protect these lands. And there are numerous erosion and water pollution control permits that have established standard best management practices for construction activities to protect surface and groundwaters.
3. Based on municipal water system size, Oahu would be assessed approximately 70% of the fees collected. If the assessment is truly a fee, it should benefit the payer of the fee. Therefore, for fairness, there should be a stipulation that all funds collected within a county only be utilized within that county. If the assessment is to be used statewide, as the language of the bill implies, then the assessment is really a tax. We feel that the state should **not** levy taxes on county operations, rather, the state legislature should fund the watershed programs of the Commission on Water Resource Management from general revenues.

4. The trust fund is to provide for CWRM watershed management programs. However, Oahu's water rate payers are already providing the funding for programs that benefit watersheds from the resource management, planning and conservation perspectives.
  - a. The BWS already provides the CWRM with a significant amount of hydrologic monitoring data including rainfall and stream gauging, and production and deep monitoring well data for Oahu.
  - b. The BWS has already funded \$4 million to construct new deep monitor wells throughout Oahu to assist the CWRM and US Geological Survey in the validation of computer hydrologic models.
  - c. The BWS is funding the integrated water resource planning or IRP, which will provide an extensive public involvement process for government agencies, landowners, purveyors and the community for watershed management planning.
  - d. The BWS is assuming the responsibility for the expansion of wastewater reclamation facilities on Oahu with the expressed intent to minimize the impact of additional groundwater development. A portion of the higher costs of producing reclaimed water may have to be partially subsidized by water rates to promote the use of reclaimed water.
  - e. In addition, BWS is also faced with the numerous unfunded mandates of the Safe Drinking Water Act, such as the Disinfection by-Products Rule, the Groundwater Disinfection Rule, the Radon Rule, the Un-regulated Contaminant Monitoring Rule and the Low-level Arsenic Rule. These new rules continue to challenge all water purveyors to remain in regulatory compliance while keeping water rates affordable.

The cost of these needed programs, in total, may affect our customers ability to pay additional fees and may hinder the capability of the BWS to continue to provide a high quality product to our consumers.

5. The duties of the watershed protection trust fund review board, adds another regulatory layer

to the State water resource management process and seems to duplicate the responsibilities of the CWRM staff. The CWRM staff already have the capability to identify important watershed protection areas.

We urge the Legislature to reject the proposed assessment on municipal water use.  
Thank you for the opportunity to testify on House Bill 2835, House Draft 2, Senate Draft 2.

Very truly yours,

CLIFF JAMILE  
Manager and Chief Engineer

cc: County Water Departments

BU:

cc: C. Jamile, D. Kiyosaki, MBO, Finance, CRO, C. Lao, E. Kawata, B. Usagawa

HB 2835 HD 2, SD 2

February 4, 2000

Representative Romy Cachola, Chair  
Representative Ezra Kanoho, Vice Chair  
and Committee Members  
Committee on Water & Land Use  
HOUSE OF REPRESENTATIVES  
Honolulu, HI 96813

Dear Representative Cachola, Representative Kanoho & Committee Members:

Subject: House Bill No. 2835 – Relating to Watershed Protection

Wise management of our watersheds is important to preservation of Hawaii's water resources. Statutorily, the responsibility for management of Hawaii's water resources is embodied in the State Water Code and administered by the Commission on Water Resources Management for the benefit of the state.

We do not support the creation and funding of the proposed Watershed Protection Trust Fund through a "Watershed Protection Tax", as proposed in Senate Bill 2514. The proposed tax unjustly places the financial burden upon municipal drinking water customers through a surcharge on our water rates. It fails to recognize that on many of the neighbor islands, municipal water use represents only a small portion of the total water used. On Kauai, municipal use represents only approximately 10 percent of the total water used, while agriculture accounts for roughly 90 percent of all water use. It is unjust to place the burden of maintaining all of Kauai's watersheds on the municipal drinking water customers, ignoring larger water users, such as agriculture.

If a tax increase is truly needed to fund these activities, it is more equitable that the tax be designed to fairly distribute the costs of maintaining our watersheds and water resources to the respective beneficiaries. This would be better accomplished at the state level rather than by the county water departments. In addition, the state should consider alternative sources of funding for watershed protection activities, such as Federal grant programs and private conservation organizations like the Nature Conservancy.

If you need more information or have any questions, please feel free to call me at (808) 245-5408. Thank you for your consideration.

Sincerely,

Ernest Y. W. Lau  
Manager and Chief Engineer

EL:rm  
Leg. Testimony/HB 2835 (2-4-00) Watershed Prot. Tax:rm

March 1, 2000

Representative Dwight Y. Takamine, Chair  
Representative Bertha C. Kawakami, Vice Chair  
and Committee Members  
Committee on Finance  
HOUSE OF REPRESENTATIVES  
Honolulu, HI 96813

Dear Representative Takamine, Representative Kawakami & Committee Members:

Subject: House Bill No. 2835, HD1, HSCR 398-00 – Relating to Watershed Protection  
Hearing on Wednesday, March 1, 2000, 3:15 p.m. at Conference Room 308

Wise management of our watersheds is important to preservation of Hawaii's water resources. Statutorily, the responsibility for management of Hawaii's water resources is embodied in the State Water Code and administered by the Commission on Water Resources Management for the benefit of the state.

We do not support the creation and funding of the proposed Watershed Protection Trust Fund through a "Watershed Protection Tax", as proposed in Senate Bill 2514. The proposed tax unjustly places the financial burden upon municipal drinking water customers through a surcharge on our water rates. It fails to recognize that on many of the neighbor islands, municipal water use represents only a small portion of the total water used. On Kauai, municipal use represents only approximately 10 percent of the total water used, while agriculture accounts for roughly 90 percent of all water use. It is unjust to place the burden of maintaining all of Kauai's watersheds on the municipal drinking water customers, ignoring larger water users, such as agriculture.

If a tax increase is truly needed to fund these activities, it is more equitable that the tax be designed to fairly distribute the costs of maintaining our watersheds and water resources to the respective beneficiaries. This would be better accomplished at the state level rather than by the county water departments. In addition, the state should consider alternative sources of funding for watershed protection activities, such as Federal grant programs and private conservation organizations like the Nature Conservancy.

If you need more information or have any questions, please feel free to call me at (808) 245-5408. Thank you for your consideration.

Sincerely,

Ernest Y. W. Lau  
Manager and Chief Engineer

EL:rm  
Leg. Testimony/HB 2835, HD1, HSCR 398-00 (3-1-00) Watershed Prot. Tax:rm

March 15, 2000

Senator Colleen Hanabusa, Chair  
Senator Joe Tanaka, Vice-Chair  
And Members of the  
Committee on Water, Land and Hawaiian Affairs  
STATE SENATE  
The Twentieth Legislature, Regular Session of 2000  
State of Hawaii

Dear Senator Hanabusa and Members:

**Subject: House Bill No. 2835 HD2, Relating to Watershed Protection, Conference Room 225,  
Wednesday, March 15, 2000, 2:00 p.m.**

We recommend that this bill be held in committee and not passed on for further consideration.

This bill places the burden of funding the State's protection of its water resources solely on the backs of the **domestic water users** served by county water agencies and private water utilities regulated by the Public Utilities Commission. This "assessment" is nothing more than a **tax**. Semantics cannot hide what this is, and earlier versions of this bill openly called it a tax.

This bill would grant broad taxing powers to the Commission on Water Resources Management. This version of the bill eliminates any limit on the amount that can be charged, leaving it solely up to the discretion of the Commission. This power and authority is being given by the Legislature with no idea on what would be funded by the tax revenue, no assessment of true water resource protection needs and issues, no plan for accountability on the expenditure of the funds, and no presentation of non-tax based options to fund water resource protection activities. This is indeed a case of the "tail wagging the dog."

The passage of this bill would mark a new era for our state as we enter in the new millennium. We tax nearly everything our public uses, food, medicine, goods and services, and now, the item essential for life, precious drinking water. The only remaining thing that has not been taxed is the air we breathe. I can understand taxing items that are more luxury in nature, but, in principal, there is something fundamentally wrong in taxing items necessary for life.

This tax would be borne solely by domestic water users, in effect, people like us who use this water to meet our families needs for drinking, cooking, bathing, washing our laundry, and watering our yards and gardens. This includes the elderly and those on fixed incomes, living on the pensions and social security. Basically, this tax will be an increased burden on people who are struggling to survive during difficult economic times.

Senator Colleen Hanabusa, Chair, Senator Joe Tanaka, Vice-Chair

and Members of the Committee on Water, Land and Hawaiian Affairs

Subject: House Bill No. 2835 HD2, Relating to Watershed Protection, Conference Room 225,

Wednesday, March 15, 2000, 2:00 p.m.

May 18, 2001

Page 2

This tax is inherently discriminatory in that it would not be borne by non-domestic users of water, including agricultural, industrial, and commercial users. This includes the military, large plantations and farms, golf courses, hotels, major petroleum refineries, industrial plants, large shopping centers, hotels, and other big water users. On Kauai, agricultural water use is by far, the largest user of water when compared to domestic water users. However, the burden to fund the protection of the State's water resources will only fall upon the domestic water users like you and I, our children, our parents and grandparents. This tax **discriminates** against them and unfairly burdens a narrow segment of the beneficiaries of our State's water resources. The following table describes how water is used in our state and on Kauai as of 1990. It clearly shows that domestic water users would be paying a disproportionate share of the burden under this taxing scheme.

Use Type	State Total, Million Gallons Per Day	State Breakdown by Use	Kauai Total, Million Gallons Per Day	Kauai Breakdown by Use
Domestic	136.15	9.4%	9.36	2.5%
Agricultural	793.59	55.0%	243.46	65.8%
Industrial	52.02	3.6%	6.82	1.8%
Thermoelectric	95.77	6.6%	10.98	3.0%
Commercial	102.54	7.1%	5.63	1.5%
Hydroelectric	263.67	18.3%	93.72	25.3%
TOTAL	1,443.74	100%	369.97	100%

As an alternative, I suggest that the Commission be tasked to assess true needs and issues related to water resource protection, determine how much is already being contributed by the county water agencies toward this effort, and provide options to fund these needs without resorting to new taxes, or "assessments."

Another alternative would be the amend House Bill No. 2836 HD1 relating to Watershed Management Projects to allow the use of portions of the conveyance tax deposited into the natural area reserve fund to be used for water resources protection, not only watershed management projects.

In closing, our domestic water users are already highly regulated by the state and federal drinking water regulations. They are paying a premium price to meet these regulations. Under this bill, the major beneficiaries of water resources protection, the non-domestic users and the military are not paying any share of the cost.

Senator Colleen Hanabusa, Chair, Senator Joe Tanaka, Vice-Chair  
and Members of the Committee on Water, Land and Hawaiian Affairs  
Subject: House Bill No. 2835 HD2, Relating to Watershed Protection, Conference Room 225,  
Wednesday, March 15, 2000, 2:00 p.m.

May 18, 2001

Page 3

Thank you for the opportunity to testify on this bill. Please call me at (808)245-5408 if you need more information or have any questions.

Sincerely,

Ernest Y. W. Lau  
Manager and Chief Engineer

EL:rm

c: Clifford Jamile, Honolulu Board of Water Supply  
David Craddick, Maui Department of Water Supply  
Milton Pavao, Hawaii Department of Water Supply  
Senator Jonathan Chun  
Senator Avery Chumbley  
Representative Bertha Kawakami  
Representative Ezra Kanohe  
Representative Hermina Morita  
Leg. Test., HB 2835, HD2, Watershed Tax:rm



March 27, 2000

Senator Carol Fukunaga, Co-chair  
Senator Andrew Levin, Co-chair  
and Members of the Comm. on Ways and Means  
STATE SENATE  
State of Hawaii

Dear Senators Fukunaga, Levin and Members:

Subject: House Bill No. 2835 HD2 SD1 Relating to Watershed Protection

We recommend that this bill be held in committee and not passed on for further consideration.

This bill places the burden of funding the State's protection of its water resources solely on the backs of the **domestic water users** served by county water agencies. This is a **tax** to pay for activities that rightfully should be funded from the General Fund rather than by a special tax on a very narrow range of water users in the state.

This bill would grant broad taxing powers to the Commission on Water Resources Management. This power and authority is being given by the Legislature with no specific idea on what would be funded by the tax revenue, no assessment of true water resource protection needs and issues, no plan for accountability on the expenditure of the funds, and no consideration of non-tax based options to fund water resource protection activities. This is indeed a case of the "tail wagging the dog."

The passage of this bill would mark a new era for our state as we enter in the new millennium. We tax nearly everything our public uses, food, medicine, goods and services, and now, the item essential for life, precious drinking water. The only remaining thing that has not been taxed is the air we breathe. I can understand taxing items that are more luxury in nature, but, in principal, there is something fundamentally wrong in taxing items necessary for life.

This tax would be borne solely by domestic water users, in effect, people like us who use this water to meet our families needs for drinking, cooking, bathing, washing our laundry, and watering our yards and gardens. This includes the elderly and those on fixed incomes, living on the pensions and social security. Basically, this tax will be an increased burden on people who are struggling to survive during difficult economic times and who already pay for water resource protection activities through the other taxes

Senator Carol Fukunaga, Co-chair

Senator Andrew Levin, Co-chair

Subject: House Bill No. 2835 HD2 SD1 Relating to Watershed Protection

March 27, 2000

Page 2

This tax is inherently discriminatory in that it would not be borne by non-domestic users of water, including agricultural, industrial, and commercial users. This includes the military, large plantations and farms, golf courses, hotels, major petroleum refineries, industrial plants, large shopping centers, hotels, and other big water users. On Kauai, agricultural water use is by far, the largest user of water when compared to domestic water users. However, the burden to fund the protection of the State's water resources will only fall upon the domestic water users like you and I, our children, our parents and grandparents. This tax **discriminates** against them and unfairly burdens a narrow segment of the beneficiaries of our State's water resources. The following table describes how water is used in our state and on Kauai as of 1990. It clearly shows that domestic water users would be paying a disproportionate share of the burden under this taxing scheme.

Use Type	State Total, Million Gallons Per Day	State Breakdown by Use	Kauai Total, Million Gallons Per Day	Kauai Breakdown by Use
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Industrial	52.02	3.6%	6.82	1.8%
Thermoelectric	95.77	6.6%	10.98	3.0%
Commercial	102.54	7.1%	5.63	1.5%
Hydroelectric	263.67	18.3%	93.72	25.3%
TOTAL	1,443.74	100%	369.97	100%

Lastly, this bill requires the county water departments to take on the role and responsibility of being a tax collector for the State. Is this legal and permissible under State statutes and County charters? Does this violate the provisions of Chapter 54, Hawaii Revised Statutes, or the State Constitution?

As an alternative, I suggest that the Commission be tasked to assess true needs and issues related to water resource protection, determine how much is already being contributed by the county water agencies toward this effort, and provide options to fund these needs without resorting to new taxes, or "assessments." Additionally, the State Attorney General and the Counties attorneys should be allowed time to properly research the legality of making the County water departments tax collectors for the State.

Senator Carol Fukunaga, Co-chair  
Senator Andrew Levin, Co-chair  
Subject: House Bill No. 2835 HD2 SD1 Relating to Watershed Protection  
March 27, 2000  
Page 3

Another alternative would be the amend House Bill No. 2836 HD1 relating to Watershed Management Projects to allow the use of portions of the conveyance tax deposited into the natural area reserve fund to be used for water resources protection, not only watershed management projects.

In closing, our domestic water users are already highly regulated by the state and federal drinking water regulations. They are paying a premium price to meet these regulations for safe drinking water. Under this bill, the major beneficiaries of water resources protection, the non-domestic users and the military are not paying any share of the cost. Some of these non-domestic water users are the major contributors to groundwater contamination and water resource degradation.

Thank you for the opportunity to testify on this bill. Please call me at (808)245-5408 if you need more information or have any questions.

Sincerely,

Ernest Y. W. Lau  
Manager and Chief Engineer

EL:rm

c: Mr. Clifford Jamile, Honolulu Board of Water Supply  
Mr. David Craddick, Maui Department of Water Supply  
Mr. Milton Pavao, Hawaii Department of Water Supply  
Senator Jonathan Chun  
Senator Avery Chumbley  
Representative Bertha Kawakami  
Representative Ezra Kanoho  
Representative Hermina Morita

April 5, 2000

Senator Carol Fukunaga, Co-chair  
Senator Andrew Levin, Co-chair  
and Members of the Committee  
on Ways and Means  
STATE SENATE  
State of Hawaii

Dear Senators Fukunaga, Levin and Members:

**Subject: House Bill No. 2835 HD2 SD2 Relating to Watershed Protection, Conference Room 211,  
9:30 a.m., April 6, 2000**

We recommend that this bill be held in committee and not passed on for further consideration.

This bill places the burden of funding the State's protection of its water resources solely on the backs of domestic water users served by county water agencies. This is a tax to pay for activities that are already and should be funded by the general fund rather than by a special tax on a very narrow range of water users in the state. Funding through the general fund would more equitably distribute the burden of this tax on all water users in the state.

The watershed protection fee is a new tax on the residents of Hawaii. This bill would grant taxing powers to the Commission on Water Resources Management. Although this version of the present bill calls for the imposition of a watershed protection fee on county water agencies, earlier versions correctly identified it as a new tax. Taxing the county water agencies is the same as taxing the people we serve.

The Commission on Water Resources Management should be required to first complete the Hawaii Water Plan, as required by the State Water Code, before giving them taxation powers. The Hawaii Water Plan will include a Water Resources Protection Plan and a Water Quality Plan. It makes sense that these plans should be done first to define the true needs of our watersheds and water resources before the Commission is given taxation powers. This authority is being given by the Legislature with no specific idea on what would be funded by the tax revenue, no assessment of true water resource protection needs and issues, no plan for accountability on the expenditure of the funds, and no consideration of non-tax based options to fund water resource protection activities. This is indeed a case of the "tail wagging the dog."

The passage of this bill would mark a new era for our state as we enter in the new millennium. We tax nearly everything our residents uses, food, medicine, goods and services, and now, the item essential for life, precious drinking water. The only remaining thing that has not been taxed is the air we

Senator Carol Fukunaga, Co-chair, Senator Andrew Levin, Co-chair,  
and Members of the Committee on Ways and Means

**Subject: House Bill No. 2835 HD2 SD2 Relating to Watershed Protection, Conference Room 211, 9:30  
a.m., April 6, 2000**

April 5, 2000

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breathe. I can understand taxing items that are more luxury in nature, but, in principal, there is something fundamentally wrong in taxing items necessary for life, such as drinking water.

This tax would be borne solely by domestic water users, in effect, people like us who use this water to meet our families needs for drinking, cooking, bathing, washing our laundry, and watering our yards and gardens. This includes the elderly and those on fixed incomes, living on the pensions and social security. Basically, this tax will be an increased burden on people who are struggling to survive during difficult economic times and who already pay for water resource protection activities through the other state taxes. A family that uses 12,000 gallons a month would pay the same amount as a golf course that uses 1.5 million gallons a month, or an oil refinery that uses 30 million gallons a month.

This tax is inherently discriminatory in that it would not be borne by users of water that are not served by county water agencies and PUC regulated public water utilities, including large agricultural and private users of water who use the majority of water in the state. This includes the military installations, large plantations, farms, golf courses, hotels, electric power plants, State of Hawaii owned water systems, and other big water users. On Kauai, agricultural water use is by far, the largest user of water when compared to domestic water users. However, the burden to fund the protection of the State's water resources will only fall upon the domestic water users like you and I, our children, our parents and grandparents. This tax discriminates against them and unfairly burdens a narrow segment of the beneficiaries of our State's water resources. The following table taken from the State Databook describes how water is used in our state and on Kauai as of 1990. It clearly shows that domestic water users would be paying a disproportionate share of the burden under this taxing scheme.

Use Type	State Total, Million Gallons Per Day	State Breakdown by Use	Kauai Total, Million Gallons Per Day	Kauai Breakdown by Use
Domestic	136.15	9.4%	9.36	2.5%
Agricultural	793.59	55.0%	243.46	65.8%
Industrial	52.02	3.6%	6.82	1.8%
Thermoelectric	95.77	6.6%	10.98	3.0%
Commercial	102.54	7.1%	5.63	1.5%
Hydroelectric	263.67	18.3%	93.72	25.3%
TOTAL	1,443.74	100%	369.97	100%

Lastly, this bill requires the county water departments to take on the role and responsibility of being a tax collector for the State. Is this legal and permissible under State statutes and County charters? Does this violate the provisions of Chapter 54, Hawaii Revised Statutes, or the State Constitution?

As an alternative and prior to granting taxing authority to the Commission, I suggest that the Legislature task the Commission to:

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1. Complete the Hawaii Water Plan, including the Water Resources and Protection Plan and the Water Quality Plan as required by the State Water Code. This will provide a true assessment of needs and issues related to water resource protection.
2. Determine how much is already being contributed by the county water agencies toward watershed and water resources management.
3. Propose an amendment to Chapter 174, HRS (the State Water Code) to legally define what a "watershed management area" is and provide draft rules to administer this new category of management area.
4. Involve and work with all categories of water users (i.e., the stakeholders) in the state in each county to develop recommendations to implement watershed and water resources needs without resorting to new taxes, or "assessments."
5. Obtain an opinion from the State Attorney General on the legality of making the County water departments tax collectors for the state.

In closing, our domestic water users are already highly regulated by the state and federal drinking water regulations. They are paying a premium price to meet these regulations for safe drinking water. Under this bill, the major beneficiaries of water resources protection, the non-county users, the military, and the state water systems are not paying any share of the cost. Some of these non-county water users are the major contributors to groundwater contamination and water resource degradation that county water users must pay to make it safe.

Thank you for the opportunity to testify on this bill. Please call me at (808) 245-5408 if you need more information or have any questions.

Sincerely,

Ernest Y.W. Lau  
Manager and Chief Engineer

Leg. Testimonies/HB2835, HD2, SD2:rm

c: Mr. Clifford Jamile, Honolulu Board of Water Supply  
Mr. David Craddick, Maui Department of Water Supply  
Mr. Milton Pavao, Hawaii Department of Water Supply

Appendix : Summary Act 152 Testimony for County Water  
Departments and Hawaii Water Works Association

Hawaii Water Works Association (HWWA) testimony: Response to conference  
committee (HB2835 HD2 SD2 Relating to Watershed Protection):

1. Committee request: "Can county water departments commit 1% of annual budget to watershed protection?"

HWWA response: Currently each water department expands funds to address watershed protection and water resource management needs of the State, including:

- USGS cooperative monitoring and water resource studies program
- Tri-county exploratory well drilling program
- Deep monitor well drilling projects
- Watershed partnerships participation
- Miconia removal program
- State Soil Conservation and Water District participation
- Environmental assessments of watersheds

It was estimated that counties' expenditure, (mix to-date and current) annual cost is about \$9,107,000 or 5.4% of the annual revenue collected by all four county water departments. County water departments were committed to continue this effort subject to approval of their respective boards and commissions.

Kauai County Department of Water (KDOW) testimony (HB 2835 – Relating to  
Watershed Protection):

Kauai did not support the creation and funding of the Watershed Protection Trust fund through a watershed protection tax, as proposed by Senate Bill 2514 and or House Bill 2835. Their comments are listed below:

Problems and Issues:

The bill placed the burden of funding the State's protection of water resources solely on domestic water users serviced by county water agencies and private water utilities regulated by the Public Utilities Commission (PUC).

The watershed protection assessment is a tax and should be funded by the General Fund rather than by a special tax on narrow range of water users. Funding through the General Fund would be more equitable in distributing the burden of this tax on all water users in the state.

Although later bill versions refer to the assessment as a fee, it was identified as a

new tax in earlier versions. Taxing the water agencies is the same as taxing the water agency customers.

The Commission on Water Resource Management (CWRM) should first complete the Hawaii Water Plan as required by the State Water Code, before giving them taxation powers. The Water Resource Protection Plan and the Water Quality Plan should be done first to define true needs of our watersheds and water resources before CWRM is given taxation powers.

The bill would give CWRM broad taxing powers. This version of the bill eliminates any limit on the amount that can be charged, leaving it solely up to CWRM. CWRM is being given taxation powers by the Legislature with:

- No specific idea on what would be funded by the tax revenue
- No assessment of true water resource protection needs and issues
- No consideration of non-tax based options to fund water resource protection activities

Taxing items more luxury in nature is acceptable, but in principal, there is something wrong in taxing items necessary for life, such as drinking water

The tax will be borne solely by domestic water users to meet family needs for drinking, cooking, bathing, and laundry and outside watering. Users include the elderly and those on fixed incomes, living on pensions and social security. The tax will be an additional burden during difficult economic times and on those who already pay for water resource protection activities through other state taxes.

The tax is discriminatory, as it will not be borne by non-county water users, such as large agricultural and private water users who use the majority of water in the State. Included are: Military installations, large plantations, farms and golf courses, hotels, major petroleum refineries, industrial plants, large shopping centers, electric power plants, State owned water systems, and other big water users.

- On Kauai agricultural water use is the largest user of water when compared to domestic water users. Municipal use represents only approximately 2.5% of the total water used, while agriculture and hydroelectric use accounts for roughly 91 % of all water used. On neighbor islands, municipal water use represents only a small portion of the total water used. Tables from State Data Book show that domestic water users would be paying disproportionate share of the burden under this scheme.
- The major beneficiaries of water resources protection, the non-county users, the military, and state water systems are not paying any share of the cost. Some of these non-county water users are the major contributors to groundwater contamination and water resources degradation that county water users must pay to make safe.



What is the legality under State statutes and County charters of requiring county water departments to take on role and responsibility of being a tax collector for the State? Does this violate the provisions of Chapter 54, Hawaii Revised Statutes, or the State Constitution?

Our domestic water users are already highly regulated by the state and federal drinking water regulations and are paying a premium price to meet these regulations for safe drinking water.

The tax assessment is unfair if based on each customer paying a set amount of assessment (i.e. \$1.00 per customer). A family who uses 12,000 gallons per month will pay the same as a golf course that uses 1.5 million gallons per month or the same as an oil refinery that uses 30 million gallons per month.

Recommendation:

As an alternate and prior to granting taxing to CWRM, the legislature should task CWRM to:

- Complete the Hawaii Water Plan, including the Water Resources and Protection Plan and the Water Quality Plan as required by the State Water Code. This will provide a true assessment of needs and issues related to water resource protection.
- Determine how much is already being contributed by the county water agencies toward watershed and water resource management.
- Proposed and amendment to Chapter 174, HRS (the State Water Code) to legally define what a "watershed management area" is and provide draft rules to administer this new category of management area.
- Involve and work with all categories of water users (i.e., the stake holders) in the state in each county to develop recommendation to implement water shed and water resources needs without resorting to new taxes, or "assessments"
- Obtain an opinion from the State Attorney General on the legality of making the County water departments tax collectors for the state.

If a tax increase is truly needed to fund these activities, it is more equitable that the tax be designed to fairly distribute the costs of maintaining our watersheds and water resources to the respective beneficiaries. This would be better accomplished at the state level rather than by the county water departments.

The State should consider alternative sources of funding for watershed protection activities, such as Federal grant programs and private conservation organizations like the Nature Conservancy.

**Maui Department of Water Supply Comments regarding Item #7:**

Levying this source assessment through the County Water Departments of Water Supply at the very least does not insure that all consumers pay their share. There are many private utilities, and uses of water that are not addressed through county-only assessments. Perhaps adding it to more global fee structures would be more equitable. Certainly we need to find a way to get at this, that insures that broadest possible participation in any such assessment.

According to USGS 1995 records the Maui Island-wide water use was 360-361 MGD. The Maui DWS used between 30-35 MGD during the same period.

Maui Land and Pineapple Co. is the landowner of an 8,000-acre watershed partnership in Maui. MLPC provides funding on a cost share basis with government and other private organizations to implement watershed protection projects. Other landowners participate but do not provide funding. Landowners who provide funds should be exempt from payment of comparable watershed protection assessments.

A worldwide United Nations report on benchmarks for sustainability regarding human habitation compared several benchmarks that were based upon available resources such as water, land and native forest availability. Although Hawaii has ample forest / watershed reserves a mechanism for funding watershed protection implementation projects may be based on watershed impacts. A license fee based on water use could be assessed to new water users. The fee would be determined by the user's impact on the watershed.

**Hawaii Department of Water Supply Comments regarding Item #7:**

The Hawaii Department of Water Supply (Hawaii DWS) did not submit legislative testimony regarding Act 152. However, the department expressed concern that the proposed watershed tax would have singled out and assessed only county water departments. They felt this was not fair and that all water users whether private or government should be assessed on an equitable basis.

On a more general note, Act 152 intent should not be limited to water resource protection, but should address and consider other watershed values (i.e. flora/fauna, recreation, wetlands, forestry) which are interrelated and of equal importance. An integrated resource planning procedure should be utilized.

There are many other agencies have technical acumen and resources to do watershed planning and funding of implementation projects. Some agencies include:  
Natural Resources Conservation Service (mandated by Public Law 566,

Small Watersheds): Has the authority and financial cost sharing program to do watershed planning for emergency as well as long term.

Corps of Engineers: Has the authority to do watershed planning and financial assistance.

U S Forest Service and Fish and Wildlife Service:

These and other agencies and organizations should be included in our effort not only for their expertise but also more importantly for their funding mechanisms.

### **Honolulu Board of Water Supply testimony regarding Act 152**

The Honolulu Board of Water Supply (HBWS) submitted written legislative testimony on April 5, 2000 to the Senate Ways and Means Committee. HBWS opposed House Bill 2835, House Draft 2, Senate Draft 2, relating to watershed protection.

The proposed watershed tax is inequitable to just water users. There are many beneficiaries of watershed protection and enhancement. The presence of a tax without a cost of service study or plan to identify, prioritize and implement effective watershed projects and programs is premature at best. Watershed protection benefits a much larger group than just municipal water users. Agricultural uses, the military and other non-PUC regulated private users of groundwater and surface water will benefit from watershed management programs but are not being assessed.

Based on municipal water system size, Oahu would be assessed approximately 70% of the fees collected. If the assessment is truly a fee, it should be utilized within the county in which it was collected. If the assessment is to be used statewide, as the bill implies, then the assessment is really a tax. The state should not levy on county operations; rather, the state legislature should fund the watershed programs of the Commission on Water Resource Management (CWRM) from general revenues.

The trust fund is to provide for CWRM watershed management programs. However, Oahu's water rate payers are already providing the funding for programs that benefit watersheds from the resource management, planning and conservation perspectives.

- The HBWS provides CWRM with a significant amount of hydrologic monitoring data including rainfall and stream gauging and production and deep monitoring well data on Oahu.
- The HBWS has already funded \$4 million to construct new deep monitor wells throughout Oahu to assist the CWRM and US Geological Survey in the validation of computer hydrologic models.

- The HBWS is funding the integrated water resource management planning or IRP, which will provide an extensive public involvement process for government agencies, landowners, purveyors and the community for watershed management planning.
- The HBWS is assuming the responsibility for the expansion of wastewater reclamation facilities on Oahu with the expressed intent to minimize the impact of additional groundwater development. A portion of the higher costs of producing reclaimed water may have to be partially subsidized by water rates to promote the use of reclaimed water.
- The HBWS is also faced with the numerous unfounded mandates of the Safe Drinking Water Act, such as the Disinfection by-Products Rule, the Groundwater Disinfection Rule, the Radon Rule, the Un-regulated Contaminant Monitoring Rule and the Low-level Arsenic Rule. These new rules continue to challenge all water purveyors to remain in regulatory compliance while keeping water rates affordable.

The cost of these needed programs, in total may affect our customers' ability to pay additional fees and may hinder the capabilities of the HBWS to continue to provide a high quality product to our consumers.

The duties of the watershed protection trust fund review board adds another regulatory layer to the State water resource management process and seems to duplicate the responsibilities of the CWRM staff. CWRM already has the capacity to identify important watershed protection areas.